

## PRESIDENT'S CORNER



Dear ICGS members,

I hope this newsletter finds you well despite the challenging time we are living.

The year 2020 has been very long and difficult for all of us. Due to the pandemic COVID-19, we spent most of our time in video calls without real life interactions with students and colleagues.

As in any crisis, we had the chance to learn something useful like how to use technologies to make our virtual classes more interactive. We will use these new knowledge and skills also when the pandemic crisis will be finished.

The 6<sup>th</sup> ICGS conference, held virtually at Old Dominion University, was a great success. Participants appreciated the quality of paper presentations and feedbacks received. ICGS members liked particularly the keynote speaker presentation by Nell Minow, the “meet the editors” sessions, and the academic panel on “Corporate governance and environmental sustainability”. The art tour and the performance of the magician were two social sessions highly appreciated by attendees. Kudos to Bill and Krista – and Sara - for having organized such a great event!

The PDW organized by Ruth on Friday afternoon was also a great success. She involved 17 senior scholars that offered 30 minutes feedbacks to 36 submitters. The PDW received very positive comments and we plan to include both a PDW and a doctoral consortium among the preconference activities in our next annual

Conference in Groningen. Kudos to Ruth for organizing such a developmental PDW!

I remind you that our 7<sup>th</sup> annual conference will be held the 8-10<sup>th</sup> of October at Groningen University. The conference chairs – Niels Hermes (our board member and Professor of Finance), Jana Oehmichen (Professor of Organization and Management), and Swarnodeep Homroy (Assistant Professor of Finance) - have started to organize the conference. I sincerely hope it may be held physically or, at least, in a blended format so to meet you all. You may find more information below in this newsletter. I greatly thank Niels, Jana and Swarnodeep for organizing our 7<sup>th</sup> annual conference, I am sure it will be a great success!

About Annals of Corporate Governance (ACG), the two Co-Editors Geoff Wood and Marc Goergen finalized a very interesting volume 5 (see later in the newsletter) and have started to develop the four issues to be published in 2021. Many thanks to Geoff and Marc for the nice work they are doing to promote ACG!

During our annual assembly meeting, I presented four initiatives that the membership committee and the board of directors are discussing and will finalize soon. They include nominating a few ICGS regional or country representatives, launching a series of webinars coordinated by one ICGS member, sponsoring a research grant for untenured ICGS members, and creating the possibility for institutions to become affiliated with ICGS. We will implement these and other initiatives to improve the services offered to our members. At the same time, we ask you to share with me or other board members any ideas on how ICGS can improve your professional life in all its dimensions (i.e., teaching, research, service, consulting). Your suggestions and comments will be discussed in the board and taken into consideration to promote future initiatives.

I conclude saying that it is a privilege to serve as the President of our Society. The interactions during the networking and social sessions made me understand that ICGS include many corporate governance

scholars that are willing both to contribute to the development of the Society and to do relevant and rigorous governance studies. This is a great news as better corporate governance practices may contribute to addressing several corporate, societal, and environmental issues we are facing today.

We recently held board elections. Three valuable members of the ICGS board of directors did not run for re-election: Bill Judge (our founding President), Till Talaulicar (chair of the board since the beginning), and Steen Thomsen (board member since the beginning). I warmly thank all of them for the great commitment and support to the Society. I am sure they will continue to support ICGS in different ways. At the same time, our members have recently elected four valuable new board members: i.e., Aleksandra Gregoric (Associate Professor at CBS), Niels Hermes (Professor at Groningen University), Jose Luis Rivas (Professor at Itam), and Wei Shi (Associate Professor at Miami Herbert Business School). I hope you can join me in congratulating them for the election. The ICGS board of directors will effectively promote the future development of our society.

I wish you and your family a very Happy New Year.

Stay healthy and safe!

With my best wishes

*Alessandro*

#### Synopsis of *Only Corporate Governance Can Save the World*.



During the 6<sup>th</sup> annual ICGS conference, Nell Minow delivered a timely and thought provoking keynote address. Nell's interdisciplinary presentation included important implications for society members' thinking and research across corporate governance, economics, management, accounting and finance. The key message of the presentation

was positive actions of shareholders and boards can induce companies to improve environmental, social and financial performance. Ms. Minow's presentation touched five themes.

**1. Bad governance is dangerous to humanity.** In the same way well governed corporations improve lives and the environment, poorly governed ones can inflict terrible harm. Governance failures and accounting scandals at Enron, WorldCom and Wells Fargo damaged lives, global economies and faith in free markets. Fraud at Volkswagen with the deployment of an emission cheat device caused the release of over 1 million tonnes of toxic NOx gasses. The harm of bad governance may be less tangible in the short term compared to historical events such as Pearl Harbor or acts of terror. However, the effect of bad governance may be as damaging over time. Good corporate governance can spare humanity from much future pain.

**2. The environment is global.** Ultimately environmental toxins impact all parts of the world. Further, environmental damage now will affect future human generations. Regulatory jurisdictional arbitrage limits the practical effect of civil authorities on the environment. Regardless of the positive governance and environmental regulations in effect in the European Union or in individual U.S. states, such as California and North Dakota, the most permissive territories, no matter how small, may have a tremendous influence on global outcomes. Investors, consumers and employees are the only stakeholders with the same global reach of large firms, and as such will be more important to corporate environmental governance than governments.

**3. Stakeholders are driving change.** Investors, customers, communities and employees of global firms are demanding more sustainable behaviors. Blackrock, the largest investor in the world, has made environmental responsibility its core value for influencing governance of investee firms. Millennials, in particular, are driving fund flows into firms that are socially responsible and have high ESG scores. The somewhat amorphous definitions of SRI and ESG work in favor of broader and faster adoption of better environmental governance. The positive long term incentives of sustainable governance should eliminate perceptions of a negative return trade-off.

**4. Common sense risk management.** Risk taking is critical to the value creation process. Investment, risk, choice and free markets are still the best hope for a better future. Risk taking in free markets inevitably comes with some mistakes. The gravest mistakes can be avoided by following a few simple dictums. First, embrace positive change and avoid inertia, i.e., by not saying ‘we have never done that before’. Second, realize that, in an increasingly interconnected world, every corporate action (like damaging and wasteful practices) will be held to account. Third, boards and managements need to act regardless of silence or acquiescence by other firms or stakeholders. Fourth, consider all of your words and actions in light of the expectations of the person that you most want to be proud of you (e.g., your child, spouse, friend or parent).

**5. Boards are the last line of defense.** Boards must pay close attention to management incentives. In particular short term incentives tend to cause damage, while long term incentives lead to sustainable outcomes. Rampant abuse of customers at the largest U.S. deposit taking bank Wells Fargo was due to misplaced incentives: managers were paid on the quantity of accounts rather than the quality of customer experience and service. The Wells Fargo CEO was fired by the board and personally fined \$2.5 million by the SEC. In contrast, good long-term oriented environmental governance aligns with shareholder value creation. Walmart has had a terrific impact on the global environment by substantially upgrading environmental systems at China operations and suppliers. Walmart took the action to lower costs and improve its reputation, thereby increasing profit and its future expected growth. Regulatory proposals in the European Union to expand board duties to particular stakeholder oriented incentives may increase management entrenchment, setting back a strong boardroom sustainability trend. The sustainability trend has taken hold in many boardrooms because of the strong alignment with value creation, not just because of regulation.

Society members can watch Nell Minow’s full presentation at the following link:  
[https://odu2020.icgsociety.org/videos/Nell\\_Minow\\_ICGS\\_Keynote\\_Speaker\\_2020.mp4](https://odu2020.icgsociety.org/videos/Nell_Minow_ICGS_Keynote_Speaker_2020.mp4)

*Nell Minow is Vice Chair of ValueEdge Advisors. She was Co-founder and Director of GMI Ratings from*

*2010 to 2014, and was Editor and Co-founder of its predecessor firm, The Corporate Library, from 2000 to 2010. Prior to co-founding The Corporate Library, Ms. Minow was a Principal of Lens, a \$100 million investment firm that took positions in underperforming companies and used shareholder activism to increase their value. Her other professional experience includes serving as President of Institutional Shareholder Services, Inc., and as an attorney at the U.S. Environmental Protection Agency, the Office of Management and Budget, and the Department of Justice. Ms. Minow was named one of the 30 most influential investors of 2002 by Smart Money magazine and, in 2003, was dubbed “the queen of good corporate governance” by Business Week online. In 2007 she was named as one of the 20 most influential people in corporate governance. In 2008 she was the sole recipient of the International Corporate Governance Network award for exceptional achievement in the field of corporate governance.*

(The summary of Ms. Minow’s presentation was written by the ICGS newsletter editor Andrew Root. Any errors, omissions or misstatements are his responsibility alone.)

#### ICGS 2020 Conference Awards

**Best Paper:** “Our Board, Our Rules: A Comparative Institutional Analysis of Corporate Governance Deviance.” Michael Witt, Stav Fainshmidt, Ruth Aguilera.

**Best Paper Runner-up:** “Code of Ethics Effectiveness: A Study of Legalistic versus Behavioral Codes.” Matheus de Sena Dall’Agnol and Luiz Ricardo Kabbach de Castro.

*\*Best Paper and Best Paper Runner-up awards are supported by Wiley.*

#### Best Reviewer Awards:

Ina Angelike Inge Karn, University of Groningen  
Nikolaos Kavadis, Copenhagen Business School  
Taekjin Shin, University of San Diego

### Upcoming events

January 19, 2021 Webinar: *Human Capital Watch C-Suite Challenge 2021*. By The Conference Board. Most critical issues facing business leaders in 2021. Register at: <https://conference-board.org/webcast/human-capital-watch/csuitechallenge2021>. The Conference Board hosts many governance webinars at: <https://conference-board.org/webcasts/upcoming>

January 29, 2021 Webinar. Early Stage Researcher Professional Development Series. Openings for up to 15 researchers to connect with mentors. Sponsored by the Kauffman Foundation. Registration at: <https://form.jotform.com/203295318014045>

*The International Corporate Governance Society (ICGS) is a nonprofit, educational organization formed to provide an academic forum for corporate governance scholars that enhances research, teaching, and consulting on corporate governance systems, practices, and outcomes throughout the global economy. Its focus is the global economy and its constituent societies, so governance scholars and government officials from every economy of the world can find value in this association. It is governed by an internationally-representative board of directors and supervised by its officers. We attempt to think and act consistent with our society's values.*

### ICGS 2020 Conference Wrap

2020 was a challenging year for everyone, and our 2020 conference was no exception. Fortunately, everyone pitched in to make the conference a success, and while we are disappointed that we didn't get to see everyone in person, our "zoom-fest" on November 13-15 was the next best thing. Remarkably, 130 corporate governance scholars and one practitioner attended this three-day event, besting our 2019 attendance figures in England which was pre-Covid!

We were particularly pleased with the paper presentations this year. Krista Lewellyn and the 12 track chairs did a masterful job managing the review process and nearly every submission had at least two developmental reviews. Furthermore, these reviews were done on time. Next, Krista assembled a

schedule that not only grouped the papers by topic, but also by first author's time zone. This was an extra challenge. Then, she scheduled the paper presentations over a 24/7 schedule to accommodate everyone's waking hours. Finally, everyone showed up to relatively full sessions and the discussions were lively.

In addition to the parallel sessions, Ruth Aguilera – with the collaboration of Alessandro Zattoni - organized a great Professional Development Workshop with the editors at Corporate Governance: An International Review. Specifically, 36 authors were given a pre-read and an individual thirty-minute discussion with an editor, of their early stage work along with developmental suggestions on how to improve the chances of acceptance at CGIR upon submission.

Bill Judge recruited our distinguished keynote speaker, Nell Minow and the title of her wide-ranging and inspiring talk was "Only Corporate Governance Can Save the World." This session was well attended and generated lots of positive feedback. Bill also designed some online "networking" sessions which were moderated by members of the board of directors. Furthermore, he created some unique sessions including: (1) a virtual tour of a famous art museum in Norfolk reviewing works of art relating to the conference theme, (2) a magician who mystified us from the confines of his living room, and (3) a senior scientist at the Chesapeake Bay Foundation discussing how this non-profit partners with local businesses to improve local water quality.

Ruth Aguilera leaned on her extensive professional network and designed and delivered two world class "Meet the Editors" sessions – one on Saturday and one on Sunday. In addition, she convened a global panel of experts to discuss their research on corporate governance and environmental sustainability.

Of course, none of this would have been possible without the expertise and diligent attention to detail by our Executive Director, Sara Russell-Riggs. On top

of all her other talents, Sara is now our resident expert on all things Zoom, and for that we are grateful. Notably, almost all of our sessions were video-taped and provided to attendees shortly after the session was finished so that those who could not attend could watch the session at a later time. The very best videos have been posted to our gallery section on the ICGS website so that the general public can get a taste of all the learning and information provided.

Krista Lewellyn, Co-chair  
Bill Judge, Co-chair

### ICGS 2021 Conference

We are really happy to invite you all to the 7<sup>th</sup> annual conference of the International Corporate Governance Society, which will take place from Friday to Sunday 8-10 October 2021 at the University of Groningen (The Netherlands). The conference is intended to provide a forum for international academics and policy-makers to showcase and discuss the latest corporate governance research issues and practices. We will start with a pre-conference doctoral workshop and an opening reception on Friday and close with a closing reception on Sunday.

At this point in time, we are optimistic to have the conference in Groningen. Nevertheless, if forced to by the pandemic, we will consider switching to an online version. More information about the conference can be found here:

<https://www.rug.nl/feb/icgs2021/>

Furthermore, you can find details and a call for papers here: <https://www.rug.nl/feb/icgs2021/cfp>

We are very much looking forward to welcoming you all in Groningen.

Best regards

Niels, Jana, and Swarnodeep

### ANNALS OF CORPORATE GOVERNANCE

ACG 5:1 -- Corporate Governance in IPO Forms by Silvio Vismara and Erik Lehmann (February 2020)

ACG 5:2 – Blockchain-based Corporate Governance by Wulf Kaal (June 2020)

ACG 5:3 – Tax Havens and Corporate Governance by Vijay Pereira and Yama Temouri (August 2020)

ACG 5:3 – Rumors of an Eclipse are Exaggerated. The PE Model is Here to Stay by Mike Wright and Ranko Jelic (August 2020)

In 2021, ACG plans to publish:

- SME Financing by Torsten Beck
- The Social Purpose of the Modern Business Corporation by Peter Buckley
- Decentralized Autonomous Organization – Internal Governance and External Legal Design by Wulf Kaal
- A social structural perspective of corporate governance by David Zhu and Paul Westphal

Geoff Wood – co-editor of ACG together with Marc Goergen – states that *“The journal has attracted submissions by a disproportionate number of senior and highly cited scholars. Annals occupies a somewhat unusual position in the journal ecosystem, in that, with its format of extended (roughly 75 pages of double spaced typescript) reviews occupying a midway position between a conventional review journal carrying standard article length reviews, and a short form book series. As such, it allows authors opportunity for sustained reflection - and more room to express an authorial voice - associated with the latter, but without the normal opportunity costs of writing a full book. Again, many papers receive excellent downloads and cites and as such it represents a fine opportunity to reach a wide audience across the corporate governance community and beyond.*

The journal is indexed in Cabell's International, EconLit/JEL, Emerging Sources Citation Index (ESCI), Google Scholar, RePEc/IDEAS, Ulrich's.



## ICGS Board Member Spotlight



**Dr. Eduardo Schiehl**, Professor of Accounting at HEC Montreal University joined the ICGS board in 2020. We connected with Prof. Schiehl to get his feedback on corporate governance research and important issues facing the field.

### **Why do you research corporate governance issues?**

Having an accounting background (FCPA, FCMA Canada) with eight years of experience in auditing (PricewaterhouseCoopers) prior to my PhD, researching corporate governance issues is in fact very natural to me. In my view, accountability is a core issue for the practice of, and research in, corporate governance. All corporate governance mechanisms, such as board monitoring, executive compensation, risk management or shareholder protection (just to cite a few) rely directly or indirectly on accounting information. Thus, the preparation, the use and the public disclosure of reliable accounting information, either financial or non-financial, is essential for effective governance systems. Even though research on corporate governance is very often strategic in nature, effective strategy implementation does not happen without information provided by management control systems. I see corporate governance and accounting as highly interconnected disciplines.

### **What do you find most interesting about corporate governance?**

It is interdisciplinary nature with an interplay between internal and external governance actors. In other words, what I find incremental in corporate governance, compared to the accounting discipline, is the fact that for practice and relevant research in corporate governance issues, one needs to understand the interaction between internal and

external forces that shape corporate governance mechanisms

### **Why did you join ICGS?**

The exceptional leadership of William Judge, one of the founders of ICGS, was certainly very influential in my decision to join this society. Also, very appealing to me was its mission, which (among other things) aims to foster “*rigorous and relevant research, teaching and consulting that enhances corporate governance practices*”. In my view, academic research and events have so far been ICGS’s dominant dimension. I truly hope, however, that the other dimensions of its mission will be more emphasized and achieved soon. I believe this will be essential to maintain the society’s relevance and create some differentiation from other established academic societies.

### **Where do you believe the corporate governance agenda is going in the future?**

Very good question, and if I was 100% sure about the future of corporate governance, I will certainly keep it for me. My guess is that corporate governance discipline will switch back to its fundamentals, I mean more accountability and risk management. My perception is that corporate governance practice and research have been very much focused on strategic planning, leadership attributes and board/TMT diversity issues. The previous financial crisis and the current pandemic crisis have shown that perhaps effective risk management and accountability mechanisms are more essential in sound governance and for firm’s survival and recovery.

### **Were there any key areas from the 2020 conference on sustainability that need to be highlighted for ICGS members?**

I attended five out of the six ICGS annual conferences, and in my view the quality of the papers presented were higher than previous conferences. I could attend to several presentations of sustainability related papers and was impressed by the number of comparative (cross-country) works on this topic. Given that sustainability practices and outcomes are strongly influenced by national culture and regulations, comparative research is fundamental to better understand why firms implement responsible practices and what outcomes they achieve. I commend the ICGS 2020 Annual Conference

organizers for providing such a fresh look at research about sustainability. I found, however, that most of sustainability related research still focus and measure (social and environmental) outcomes without considering its materiality for firm's stakeholders. Firm exposure to social and environmental risks and opportunities, is very much industry specific and have different (i.e., material versus symbolic) effects on different stakeholders. In other words, current research seems to consider all social and environmental issues as similar in terms of effect on firm performance, and firm stakeholders as a homogeneous group. I believe practical relevance of sustainability research depends on the capacity to distinguish between outcomes that are material and nonmaterial and how they affect specific stakeholder needs.

*Of the many notable elements of Dr. Schiehl's curriculum vitae, three include Fellow of both the Society of Management Accountants of Canada and of the Certified Professional Accountants (Quebec), editor of Corporate Governance: An International Review, and a visiting professor at Aalto University School of Business (Finland). Eduardo can be reached at [eduardo.schiehl@hec.ca](mailto:eduardo.schiehl@hec.ca).*

**New ICGS board members elected at the 6<sup>th</sup> annual meeting of the ICG Society:**

Alexandra Gregoric - Copenhagen Business School  
Niels Hermes - University of Groningen  
Jose Luis Rivas - ITAM  
Wei Shi - Miami Herbert Business School

**ICGS Newsletter Editor**

Dr. Andrew Root is an Assistant Professor of Finance at Regent University. His research spans organization capital, economic policy uncertainty and corporate governance. Prior to his academic career, Andrew spent twenty two years in global Finance, including as a research director at Goldman Sachs and Macquarie Capital.

**ICGS NEWSLETTER SUBMISSION PROCESS**

If you have contributions for our next newsletter (Volume 8, Issue 2) which will be published in July 2021, please contact Andrew Root ([aroot001@odu.edu](mailto:aroot001@odu.edu)) by **June 1, 2021**. We welcome information on upcoming book publications from ICGS members or conferences/events that will be of interest to other ICGS members. We especially would appreciate information about activities in which ICGS members may be involved given the global community of scholars that comprise the ICGS.

Don't forget to visit our website at [www.icgsociety.org](http://www.icgsociety.org)