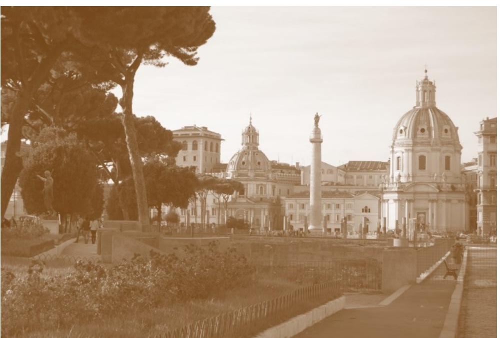
REPORT

International Conference *"Past and Future of Corporate Governance: Practices, Reforms and Regulations"*

May 26, 2016, Rome, Italy



International conference "Past and Future of Corporate Governance: Practices, Reforms and Regulations" was held in Rome, May 26, 2016 with the joint organizational participation of Roma Tre University, publishing house "Virtus Interpress" and Virtus Global Center for Corporate Governance. The main purpose of the conference was to analyze past and actual practices and regulations in corporate governance and estimate future trends and upcoming challenges for the mentioned issues and outline possible scenarios of their development. The conference took place at Business Studies Department of Roma Tre University.

The academic event started with the welcome and opening remarks of the conference host from Roma Tre University - Professor ***Marco Tutino***. He highlighted the relevance of the conference topics to the current global financial trends, greeted participants and wished them fruitful work so that they were successful in contributing to the solution of important issues in corporate governance, risk management, accounting and reporting and expressed his hopes that the conference should become efficient platform for the creation of new partnerships and contacts. Professor ***Alex Kostyuk***, representing Virtus Global Center for Corporate Governance expressed his gratitude to all participants for their valuable contribution to the conference procedures and emphasized the importance of the strong research network that forms between participants during such events. He also awarded certificates of membership to the new members of the Center who came to the conference for their significant contribution to the development of VGCCG.

Further the floor was passed to the fist key-note speaker - Prof. ***Sven-Olof Collin***, Linnaeus University (Sweden) who made a presentation "Governance for Development or Control Over Distribution". Firstly, he highlighted the process of corporate governance historic development. The considerable attention is paid to the balance between control/development and the cost/benefits of delegation. Prof. Collin presented the peculiarities of different use of the corporate governance mechanisms. The practical implication of the study is that if Europe have a mission to integrate with diversity, we should not promote the Marxian and the Agency theory view of capitalists being all the same and monitoring being the major function of governance.

Next key-note speaker Prof. ***Michele F. Sutter-Rudisser***, Assistant Professor of Organizational Control and Governance and Head of the Competence Center of Corporate Governance, University of St. Gallen, Switzerland. She divided the presentation into three parts. The first one was devoted to the issues of corporate governance in Switzerland with a key idea to show the national features of the concept and give the answer to the questions "What is it all about? Why is it important? Who is within the playing field?". The second part included overview of the Swiss board system with a special attention to the priority setting of duties and time commitment. The recent challenges for effective board work in Switzerland were disclosed.

The conference was then divided into four parallel sessions. The first parallel session was titled "Corporate Governance and Ownership Structure". The second parallel session titled "Board of Directors and Remuneration Issues". Session titled "Risk Governance and Investment Management" was the third in the program. And the fourth session was titled "Transparency, Accountability and Reporting".

The first session, which was devoted to the main issues of ownership structure and corporate governance, was headed by session chair Prof. Marco Tutino. It was started with a speech of ***Anh Tuan Dao*** from the University of Sydney (Australia) who made an attempt to search for a new corporate governance system to accelerate the long term performance of publicly held enterprises. He challenged the assumptions about the public companies: Who is the owner of the firm? and what is really objectives of the modern firm? The presenter introduced an independent Arbitration panel which is separated from Management panel to form a dual system. ***Salvatore Esposito De Falco*** and ***Nicola Cucari*** from University of Rome – Sapienza) explored which variables can influence the direction of the vote and if they change depending on country, rather than considering the say on pay activism as an instrumental term in which its effectiveness depends on the ability to change the executive compensation. They focused on a sample of 120 firms in different contexts (Italy, Australia and USA) observed in a period of 3 years and found that factors affecting dissent depend on the context of analysis. ***Freyedon Ahmadi*** from Payame-Noor University (Iran) suggested that there are bad performance of the companies due to weak management of organization and bad corporate governance. He revealed that internal environment of organization, GCG, and EVA have significant positive and strength correlation. In general, it was concluded that the organizational structure of the companies that are less focused and have more organic structure, enjoys more preparation to implement the principles of good corporate governance. The speech of ***Jerome Chan*** from Coventry University London Campus (the United Kingdom) was focused on the recent charges against directors of companies who breached their duties in Malaysia. The presenter stressed upon the fact that despite passing numerous legislations in the country, many cases have been slipping through the net. His presentation primarily dwells into the requirement of a director of a company to adhered to the guidelines of having a good corporate governance. The presentation of ***Tariq Tawfeeq Yousif Alabdullah*** from College of Administration and Economics, University of Basrah (Iraq) provided the background of the emergence of CG as clear principles and mechanisms. He presented a solution to fill the gap in the literature concerning the relationship between CG and a firm's performance in such instances when the results of examining such a relationship are found to be inconsistent.

The next presenter (***Lars Hornuf*** from University of Trier, Germany) conjectured that engaging in legal arbitrage – most notably with regard to mandatory co-determination – affects firm value. He analyzed how the capital market responds if firms re-incorporate under the SE regime and for the first time gain the opportunity to bargaining mandatory codetermination. The presented results are based on investigation of a comprehensive dataset of 159 publicly traded firms that have announced to re-incorporate under the SE regime. ***Maclyn Clouse*** from Daniels College of Business, University of Denver (the USA) in his speech mentioned that when boards of directors, auditors, forensic accountants, financial analysts, government regulators, and other risk managers are investigating possible fraudulent financial reporting, it's reasonable to advocate the use of the five "structural" factors of corporate governance and the five "behavioral" factors of corporate governance for risk assessment. The presentation "Corporate Governance and Chinese Ghost Cities" was followed up by the dynamic discussion. ***Marco Tutino*** and ***Nicolo Lembo*** highlighted the effects of NPLs on corporate governance in banking industry. The findings show that the issue of the bad quality of the credit is spread all over Europe and particularly in Italy where financial institutions privileges the credit circuit rather than investment banking. Thus, the amount of credit owned by Italian banks is greater than in the countries of Northern Europe, entailing more difficulties for matching Basel III requirements. The presenters found evidences that bad governance is related to surge of the NPLs in balance sheet, since Boards of Italian banks try to expand the business through the increase in the use of bank's resources for loans, and by contrast avoiding the devaluation of NPLs with the purpose of allegedly augmenting the enterprise's performances.

The second session, which was devoted to the main issues of board of directors and remuneration, was opened by session chair ***Dr. F. Dilvin Taşkın***, Yasar University (Turkey). Her presentation was to analyze the impact of women in the boards on firm performance. It was concluded that the existence of women both as directors and as independent directors has a significantly positive effect on the performance of the companies. The next paper about corporate governance in China was presented by ***Fang Ma***, University of Portsmouth (the UK). Specifically, the author found that more detailed rules on director's duty of diligence should be introduced into China and the business judgement rule should be adopted. After a little break ***Laura Grassi*** from Polytechnic University of Milan (Italy) presented the result of research (coauthor: ***Marco Giorgino***, Polytechnic University of Milan (Italy)) that provided an overview on the induction process for board members with a focus on the Italian context. Their paper included two significant practical implications: 1 - policy makers should seriously consider the preparation of the directors; the presence of mandatory pre-appointment programs for newly appointed members at least in a listed company was compelling; 2 - Compliance and Regulation issues of listed companies required a serious understanding by each director, fostering the effectiveness of the capital market.

The speech of ***Ouidad Yousfi*** from University of Montpellier 2 (France) was focused on female board directors and its effect on stock market liquidity. The results provided evidence that gender diversity had a negative effect on stock liquidity. ***Federico Rotondo*** from University of Sassari (Italy) focused on remuneration policies in banking, an issue that was not particularly studied in relation to its importance to financial institutions' long-term viability and the sustainable growth of the economy as a whole. The study revealed that the long path through which today's standards had developed had basically fostered a learning process within the banking sector, which had led to a material respect for most of the best practices. During the presentation of ***Alessandro Giosi*** (LUMSA University of Rome, Italy) and ***Davide Schina*** (University of Rome Tor Vergata, Italy), the authors studied the issue of the M&As and the relation between internal actors of companies. The results from ROA and the amount of own share showed a connection between the M&A abnormal return and Share Buy – Back. The last part of this session was opened by presentation of ***Giorgia Mattei*** and ***Fabio Giulio Grandis*** (Roma Tre University, Italy) who concentrated attention on analyzing the different types of organizational models, identifiable in the Public sector. They concluded that it`d be necessary to elaborate a specific tool to investigate how was the actual situation in Italy with the aim to identify some hypothetical actions that would have to be apply to arrive to observe a really managerial model of governance. The specific and relevant topic was researched by Italian researcher ***Nicola Cucari*** (Sapienza University of Rome, Italy). The author focused on relationship between CEO pay and shareholder return. It was concluded that the pay for performance mechanism, at least in Italy, did not appear to be a right instrument to improve performance and wealth of shareholders. Scientific problems of risk governance and investment management issues were discussed during the third session of the conference. The session was chaired by ***Prof. Maclyn Clouse***, Daniels College of Business, University of Denver (the USA). The representative of University of KwaZulu-Natal (South Africa) ***Maxwell Agabu Phiri*** investigated how the challenges of bullwhip effect from the perspective of electronically-enabled supply chain management (e-SCM) systems; information sharing, inventory positioning, and global optimization strategies in the fast moving consumer goods (FMCG) industry. The study associated inventory positioning with supply and logistics variability and lead time variability. The presentation of ***Anthony Nwafor*** (University of Venda, South Africa) underlined that in South Africa and Nigeria, directors were recognized as integral party to the statutory contract, but in the UK Companies Act, directors were, rather absurdly, treated as outsiders to the contract. The author concluded that the judicial position which insists that a member could only enforce the contractual rights under the constitution through the company was not in tandem with the members' freedom of contract. ***Baccouri Mouna*** (ISCAE Manouba University, Tunisia) presented the result of research that examined the different determinants of Home Bias. She underlined that information asymmetry (Trade and Size) was an important and significant variables that explained Home Bias; capital control, inflation, volatility of the stock market index didn't affect the home bias.

The study presented by ***Jagna Mucha*** (University of Warsaw, Poland) focused on the impact of the principles of good governance on the EU investment policy. The paper sought to demonstrate that in spite of the fact that EU had been granted the exclusive competence to legislate on foreign direct investments, the Member States were still in the position to have influence on the FDI. The speech of ***Julia M. Puaschunder*** from the New School for Social Research, The Schwartz Center for Economic Policy Analysis (the USA) underlined the idea of intergenerational equity in the corporate world as an alternative means to coordinating the common goods and imbuing economic stability beyond a purely governmental approach. The paper summarized that cross-national sustainability solutions and interculturally-sensitive intergenerationally equitable business practices could help imbue intergenerational equity in corporate conduct in the global arena with direct implications for today's and tomorrow's society. ***Maclyn Clouse*** developed and applied risk management procedures to enhance corporate governance, using examples of Chinese company investments. In summary, a risk management approach for enhanced corporate governance was developed and applied to the strategy of international investing. Canadian researcher ***Raef Gouiaa*** (Université du Québec en Outaouais, Canada) in his presentation concluded that the risks that companies face were becoming more complex, interconnected and potentially devastating than ever before. Under this approach, directors could manage uncertainty and assessed how risks and opportunities of a company could create, destroy or preserve the value of the firm. Representatives of Virtus Global Center for Corporate Governance (Ukraine) ***Dmitriy Riabichenko*** and ***Yuliya Lapina*** in their presentation introduced expansion of foreign banking capital into the Eastern emerging markets. They underlined that banks with foreign capital began their exit from Ukrainian market due to the following reasons - macroeconomic instability; not transparent rules; lobbying; limited access to external funding due to strict regulation.

Many interesting and recently demanded issues have been presented by participants of the fourth parallel session chaired by ***Prof. Laura Broccardo*** (University of Turin, Italy). ***Adel Mohammed Sarea*** (Ahlia University, the Kingdom of Bahrain) examined the change in earnings quality after the adoption of AAOIFI Accounting Standards in Islamic Banks of Bahrain. The author argued that adoption of AAOIFI accounting standards were expected to lead to high level of earnings quality among Islamic Financial Institutions and played a significant role in attracting global investors' interest to the local markets, especially in developing country like Bahrain. The diffusion of management control systems in Italy has been showed in the presentation of ***Laura Broccardo***. Author signified the view that induction programs were a fundamental tool to assure that each director fully contribute with his own human and social capital to the board's meeting in the shortest possible time, thus guaranteeing a positive impact on the value creation. Instead, in order to increase future directors' knowledge, pre-appointment preparation courses were particularly relevant.

Shame Mugova (Durban University of Technology, South Africa) in his presentation covered the issue of the general challenges and the interaction between the business organization's structure and culture and the governmental infrastructure and culture. His study offered insights for institutional reform to policy makers to enhance corporate governance practices within their developing nations. ***Maxwell Agabu Phiri*** (University of KwaZulu-Natal, South Africa) analyzed the relationship between CSR meaning and CSR practices in SMEs in Zimbabwe. The correlation method was adopted in order to examine the relationship between CSR meaning and CSR activities of SMEs in Zimbabwe. The results of the study revealed that the meaning of CSR is related to the major CSR activities undertaken by SMEs in Zimbabwe. The next paper about project control as a technique for organizational efficiency was presented by ***Wilfred Ukpere*** from University of Johannesburg (South Africa). Specifically, the author found that quality control system should be designed jointly, and judiciously monitored. Both management and the project team should set the standard to be achieved; quality should be integrated in the managerial process to avoid deviations, and thereby, achieving efficiency, and optimal performance. During the presentation of ***Matjaž Črnigoj*** (University of Ljubljana, Slovenia) the main issues of financial management in an employee-governed firm were described. The author discussed the effects of using the special techniques when making financial decisions and deciding on the capital budget in employee-governed firms. ***Khurshid Djalilov*** from Bournemouth University (the UK) explored the channels through which the regulations impact on stability in the banking sector of the transition countries. The results were consistent with the theory that the outcome of the regulations-reforms varied across countries according to their institutional development and therefore the impact of banking regulation was different between EU-member (early) and non-EU member (late) transition countries. The last, but not the least presentation of ***Vincenzo Bavoso*** (University of Manchester, the UK) reconceptualised the critique of shareholder value in light of the specific context of emerging economies. It focused on the necessity to take account of the different nature of large corporations that, due to the nature of their activities and externalities, affect the interests of a wide range of societal interests. The author proposed a new institutional framework for the specific regulation of the corporate objective of large public firms.

This international conference as always was conducted in the atmosphere of interesting communication between aspired researches with common views on the key issues discussed at the conference. Conference dinner that took place in a cozy restaurant Royal Art Cafè located in the amazing framework of the Colosseum Square, in the heart of the city. Gala dinner became a pleasant continuation of the scientific event. Organizers of the conference would like to express their gratitude to all participants and supporters who joined our international network and visited Rome to make their deposit by high quality presentations, interesting discussions and feel unique atmosphere of the fruitful scientific gathering.

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