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# THE CONTINUOUS DEVELOPMENT AND CHALLENGES OF CORPORATE GOVERNANCE

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The corporate governance landscape has continuously evolved, and new perspectives and challenges have emerged. Some are general trends; others are challenges that likely will continue to shape corporate governance in the near future. The international conference “*Corporate Governance: Participants, Mechanisms and Performance*”, hosted by Virtus Interpress together with Virtus GCCG in November 2023, addressed these perspectives and challenges. This introduction reveals some of the main issues presented and discussed by the conference participants.

Great emphasis has been put on stakeholder governance (Gouldson & Sullivan, 2014; Phillips, 2003; Freeman, 1984). Traditionally, corporate governance has primarily focused on shareholders’ interests (Jensen & Meckling, 1976). However, there is a growing emphasis on stakeholder governance, which includes considering the interests of employees, customers, communities, and the environment. Shareholder activism continues to be a significant factor. Activist investors increasingly influence corporate decisions, including board composition, executive compensation, and strategic direction (Brav et al., 2008). This relates much to the recent movement coined as ESG factors: environmental, social, and governance. ESG considerations have gained

prominence (Clark et al., 2015). Companies are increasingly expected to incorporate environmental and social factors into their governance frameworks. Investors, consumers, and regulatory bodies are paying more attention to a company's sustainability practices and social impact (KPMG, 2020). Therefore, regulatory frameworks governing corporate governance are subject to change. Companies must stay abreast of new regulations and international compliance requirements (Ioannou & Serafeim, 2017).

At the same time, opportunities and challenges arise with the digital transformation that has impacted both social and corporate levels (World Economic Forum, 2016). The rapid pace of technological advancement poses challenges for corporate governance (Tricker, 2015). Companies need to navigate issues related to data privacy, cybersecurity, and the ethical use of emerging technologies like artificial intelligence (Kearney, n.d.). Ensuring effective cybersecurity governance is crucial with the rise in cyber threats (National Institute of Standards and Technology, 2018). Boards are expected to be more active in overseeing and managing cyber risks to protect the company's assets and sensitive information (PwC, n.d.-b). At the board level, executive compensation packages are scrutinized (Murphy, 2013). Shareholders and stakeholders increasingly focus on ensuring that executive pay is tied to long-term performance and aligned with the company's overall strategy (Bebchuk & Fried, 2004).

Diversity and inclusion have become focal points in corporate governance discussions (Catalyst, 2018). There is increased recognition of the importance of diverse boards and leadership teams in decision-making and risk management (Credit Suisse Research Institute, 2019). The issue of board gender diversity and firm performance is still one of the cornerstone issues of the corporate governance research (Capuano & Carabelli, 2023; Tenuta & Cambrea, 2023; Morrone et al., 2022). Events like the COVID-19 pandemic have underscored the importance of effective crisis management and resilience planning in corporate governance (Hasan, 2023; Setiany et al., 2023; PwC, n.d.-a). It is important to note that the corporate governance landscape is dynamic, and new perspectives and challenges have emerged (Tricker, 2015). Traditional governance models may give way to more agile and adaptive structures that can respond quickly to changing business environments and stakeholder expectations (World Economic Forum, 2018). These trends reflect a broader shift toward more inclusive, sustainable, and forward-looking corporate governance practices. Given the dynamic nature of corporate governance, it is advisable to stay updated on the latest developments and emerging trends in the field (Ioannou & Serafeim, 2017). Keeping abreast of current developments, regulatory changes, and industry trends is crucial for companies to navigate the evolving corporate governance landscape (KPMG, 2022).

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