

## EDITORIAL: COVID-19, corporate governance, sustainability, and the post-neoliberal world

*Dear readers!*

Welcome to this special issue of *Corporate Governance and Sustainability Review* focusing on the impact of the coronavirus (COVID-19) on societies and economies worldwide.

The five papers in this special issue reflect the initial impact of the COVID-19 pandemic, in its first year, on corporate governance and sustainability. What is common throughout these papers is how the pandemic has created disequilibria for many organisations. The question continues to be posed as to the new forms of organising and managing as the world reorientates or pivots in a pandemic and post-pandemic world.

In May 2020, the OECD published a survey of 37 countries and their national corporate governance initiatives (OECD, 2020)<sup>1</sup>. These initiatives emphasised the need to have fundamental measures for insolvency arrangements in the private sector with increased transparent ownership requirements in several countries and stay of bankruptcy proceedings in others.

The need to have increased transparency and disclosure in a time of pandemic has stress-tested countries — magnifying both their strengths (such as frontline workers in the health system) and weaknesses (triaging vulnerable economic and industrial sectors) as the pandemic has severely impacted employment in industries reliant fundamentally on face-to-face contact.

Governments' role, especially in Anglo-American countries influenced by neoliberalism, has shifted from retreat to embrace of neo-Keynesianism. Government bailouts and public expenditure have taken on a more vital role with a global reduction in GDP by 1% with countries saving industries to ensure some semblance of continuing employment whilst trying to mitigate the societal disruption the pandemic has caused.

In our interconnected and global world, the disruption in supply chains and industry are palpable. There has also been an impact on capital markets through digital finance during the pandemic and there has been an adjustment of the UN's sustainable development goals (UN, 2021)<sup>2</sup>.

Extraordinary times require extraordinary measures in a once-in-a-century pandemic. The papers in this special issue are testament to the different responses across countries and diverse organisations to the disruption in governance and sustainability wrought by the pandemic. The pandemic is a global socio-economic impact whose effects we will continue to experience in years and even decades to come. We hope that you will appreciate our authors' contribution to this timely and important topic.

In the first paper written by *Hugh Grove, Maclyn Clouse, and Tracey Xu*, titled *COVID Reflections on Corporate Governance*, the authors open with the global impact of the pandemic and how it was experienced in the USA. The issue motivating this paper is how the pandemic impacted business operations and what implications are for corporate governance practices. This paper focuses on the important role of the board of directors in repositioning the manner in which they provide leadership and direction as corporations navigate the unique challenges that have emerged from the COVID-19 pandemic.

The authors present a comprehensive snapshot of the impact of COVID-19 and in doing so raise the fundamental question of whether the post-COVID-19 environment represents a paradigm shift. Importantly, the authors suggest that failure to recognise the possibility of a "new world order" may lead some corporations to misrepresent their financial position in reporting to the board to downplay the effects of COVID-19. Historic examples (such as Enron in the USA and HIH Insurance in Australia) demonstrate that failure to disclose the true financial position of the company can lead to collapse.

The reflections provided by the authors relating to the weaknesses of the current corporate governance system in the USA raise some valuable questions, including why many American corporations do not have adequate cash reserves. This is insightful and most relevant in the post-COVID-19 environment in which those who have a greater chance of survival have adequate reserves to provide a "buffer" for the losses brought on by an unprecedented and unexpected pandemic. The authors recommend regulatory governmental action to ensure all stakeholders are served. This is especially pertinent when there has been no aspect of our lives that have not been impacted in some manner by this pandemic. The call for a restoration of the USA economy based on the principle of fairness recognises that the impact of this pandemic has not been evenly distributed across communities or businesses.

The inclusion of the case of Hertz is well-chosen by the authors since it has all the hallmarks of the aspects of corporate governance which need to be addressed in the future: "Hertz paid \$16 million in bonuses to 342 executives several days before filing for bankruptcy protection and just weeks after cutting thousands of employee jobs".

The Hertz case highlights the immediate devastating impact of the pandemic on certain industries and companies. The authors recommend different business strategies, especially on the board level, to ensure the financial sustainability of companies during this pandemic as the cashflow impact of COVID fulfilled the adage of a lowering tide exposing all boats. This captures the inherent greed and inwardly focused leadership and boards which prevails in many global companies today and a point of which, that of executive remuneration, is analysed pertinently by the second paper in this special issue. If a pandemic does "shine a light" on this serious conduct, then it is difficult to know what will shift this destructive corporate culture. The comprehensive and interesting Hertz case presented by the authors illustrates well the history and factors leading to its bankruptcy.

<sup>1</sup> OECD. (2020). *National corporate governance related initiatives during the COVID-19 crisis: A survey of 37 jurisdictions*. Retrieved from <http://www.oecd.org/corporate/National-corporate-governance-related-initiatives-during-the-covid-19-crisis.pdf>

<sup>2</sup> UN. (2021). *COVID-19*. Retrieved from <https://www.un.org/sustainabledevelopment/blog/category/covid-19/>

“The future reflections” of this paper contain recommendations for boards to commit to the building of a more inclusive and transparent corporate governance system. This, in part, may hopefully be achieved by “focusing their companies on all stakeholders, not just their shareholders, as envisioned and consistent with the Business Roundtable (BR)’s new focus on the Purpose of the Corporation”. The authors provide a helpful appendix that will guide practitioners on their response to this pandemic, their approach to stakeholders, and help mitigate the next disaster.

This paper focuses on the importance of boards to have a well-developed culture of transparent and accountable governance practices that take account of changing global conditions. This is vital in the global post-pandemic environment as the authors of this paper have clearly proposed with pragmatic and practical recommendations.

In the second paper of this issue by *Mehtap A. Eklund* and *Hermann J. Stern*, titled *How COVID-19 Reshapes Businesses and Executive Pay for Sustainability*, the authors discuss the impact the pandemic has on existing executive remuneration performance measurements from a Swiss point of view. It highlights important issues in executive remuneration that must be considered during the pandemic.

Executive remuneration attracts considerable attention and widespread criticism due to remuneration and bonus systems not being commensurate with executive contributions to society relative to most in the business and community. Further, questions are raised relating to some executives who become embroiled in major scandals yet still receive their generous bonus. In doing so they fail to meet the expectations of the organisation and community.

The authors of this paper examine this important topic in the context of the pandemic in which they put forward the importance for companies to include environmental and social issues in addition to financial performance. Further, the requirement of companies to include stakeholders beyond the shareholders in the formulation of such policies relating to executive remuneration which they purport to also be based on fair and sustainable rather than reactive and short-sighted measures. A key tenet of the proposed remuneration system is that executives be rewarded using both financial and non-financial measures. For example, any contribution made by executives to advances in climate change and social programs to create a fairer and more equitable society.

This paper presents a comprehensive review of literature on pay for sustainability (P4S) which should be a critical framing of how future compensation schemes must be regarded providing both practitioner and academic approaches towards sustainable remuneration schemes given excessive executive compensation must be addressed when the economic catastrophe of COVID is widely felt.

Interestingly, research is presented which illustrates the gap between what remuneration executives receive and the performance of the company in matters relating to sustainability. While some positive results are noted, there is also reported negative association or no alignment between some executive remuneration and sustainability measures. The paper highlights the importance of a more transparent and accountable remuneration system that encompasses rewards not just based on financial measures but those applying to social and environmental measures which are being held as of principal importance to the wellbeing of the community both locally and globally. We are left with questions and implications from this paper — how should long-term stakeholders, such as institutional investors, deal with standardisation that may not fully reflect what is required in their analysis of a company’s performance? Would standardisation and harmonisation help other stakeholders of the company such as government, regulators, and civil society? This paper makes a meaningful contribution to the polemical debate we have in the executive remuneration area.

The third paper written by *Michael Snowden*, *Roopinder Oberoi*, and *Jamie P. Halsall* titled *Reaffirming Trust in Social Enterprise in the COVID-19 Era: Ways Forward*, discusses the impact of the pandemic on a different organisational form — that of social enterprises in the UK. This paper proposes the social entrepreneurial approach as a renewed way forward to support new ideas and solutions to the unique position COVID-19 has placed on the global environment. The authors support the view that post-COVID will not be “back to normal”, rather a “new normal” needs to be explored and social entrepreneurial represents a model to respond to the unique challenges emerging from the global pandemic.

The social entrepreneur model presented by the authors contains eight key skills and qualities. One of these, solution-focused, is particularly relevant in our post-pandemic environment. According to the authors, a solution-focused practitioner is a committed, engaged citizen who acknowledges that social enterprise requires leadership and transformation at individual, societal and cultural levels. This is important since the pandemic while requiring fundamental health solutions, has implications for all aspects of our communities including the economy, social systems, and how individuals will engage with the world after the pandemic. This paper confirms the widely held view that the post-pandemic world cannot adopt a “return to normal” approach. Rather, new and creative solutions will need to be developed to transform our global environment.

The fourth paper, written by *Francisco José Leandro* and *Eusebio Chiahxin Leou*, titled *The Cyber Classroom: Academic Governance and Sustainability in the 2020 Pandemic Context*, reviews the adjustments made by the higher education sector to the pandemic with the authors’ experience in Macau. This paper examines key aspects of how COVID-19 impacted this sector. The disruption to learning and the measures which have had to be implemented to sustain the learning environment of universities is both important and of interest to academics worldwide.

The authors find that “one of the key lessons learned is that online teaching cannot effectively contribute to the processes of secondary and anticipatory socialization in the same way as in-person learning”. While this observation and lesson took place in the context of the University of Macau, it may be applied to the experiences of many academics globally. Certainly, the level of online learning pre-COVID-19 may contribute to the degree of challenges experienced by both academics and students.

The technological challenges in this paper are presented as well as the transition to online learning and its effect on student participation. This illustrates that simply moving from on-campus face-to-face to online platforms reveals the challenges and reluctance of students engaging in the online environment. From a lecturer's viewpoint there were concerns about what skills were required to engage students online and the fact that, compared to face-to-face where lecturers can assess and engage in real time, it is difficult to know the full context of where and how students are learning online. These issues will no doubt be debated in the future and hopefully encourage further research in this important area.

The authors found that preparation for online teaching required different considerations and also an increase in students requesting feedback. This may be explained in part by the fact that the feedback students receive in the on-campus environment cannot be entirely replicated online. This challenge was well represented by the authors and the development of different ways to effectively communicate for both students and lecturers.

This paper has also revealed the important role of the university campus space where students and lecturers socialise and engage in various settings, including online. Despite the disruption caused by the restrictions of the COVID-19 outbreak, it is difficult to imagine that a fully online presence can ever replicate the physical campus space. How each university approaches the challenges of COVID-19 restrictions or any other developments which lead to lockdown situations may be the subject of future research. One thing is certain, as academics, we need to form a better understanding of how to approach the challenges that comes with the restriction of movement and isolation brought about by the likes of a pandemic.

The last paper in this special issue, by *Michael Lester* and co-editors *Marie dela Rama* and *Julie Crews*, titled *COVID-19 Governance, Legitimacy, and Sustainability: Lessons from the Australian Experience* looks at the Australian pandemic health and economic response. This paper provides an insightful analysis on the COVID-19 experience and response management by Australia. The lessons learned in the Australian context are important, especially when compared to the contrasting experiences of other global communities as mentioned by other papers in this special issue. There were elements of surprise in Australia's response, particularly given that the COVID-19 outbreak came close to unprecedented drought conditions and bushfire that devastated communities. It could be said that there was already a "crisis fatigue" in Australia before the pandemic took hold that made it even more remarkable that the Australian people accepted restrictive measures on personal and social freedoms. This, as the authors emphasise, was more remarkable given the high levels of cynicism and distrust in the Australian government and its institutions before the pandemic was declared.

The level of collaboration and unity in Australia's response to the pandemic from a political perspective was readily accepted by the public and in contrast to the chaotic and highly politicised response in America and Great Britain. Australians were able to witness the serious crisis unfolding in American and Great Britain and feel a sense of security that Australia's world-class health system and response ensured a low COVID-19 fatality rate. The global isolation of Australia, and the restrictive response from neighbour New Zealand, from the world coupled with both international border restrictions and State closures were a clear reminder for Australians that they were indeed in this crisis, "the lucky country".

With the presence of the pandemic, politics in Australia had taken on a less bi-partisan and combative nature and both State, Territory, and Commonwealth expertise and resources were shared in the spirit of the 'greater good'. The inclusion of the example of this collaboration by the authors was the creation of a National Cabinet of Prime Minister and State Premiers. This was a tangible indication that when required, politicians could present a public face of collaboration and relative unity. This was important in the trust bestowed on them by the Australian people to manage the pandemic responsibly.

The authors have raised a central and important question as Australia and the rest of the world negotiate a "new normal" in the post-pandemic environment. The question is whether this "new normal" will encompass a balanced and sustainable model in a post-neoliberal world which requires a more equitable balance to address the future challenges of climate change, the widening gap between rich and poor, and systems which seek to restore dignity and opportunities to some of the most marginalised in our communities. It is interesting that for a long period of time before the pandemic, the current Australian government resisted any significant changes to social benefits for those seeking work. However, in the crisis which unfolded, the government was able to seamlessly implement measures that they had for so long resisted. Many people who would have been left economically destitute as a result of the pandemic were able to secure government-funded benefits that afforded them a decent standard of living rather than being on the margins of society. These pandemic-led benefits proved the government could act but, as with other elements of the political system, it remains to be seen in what form this will be in the future.

The ramifications from the pandemic require moral and ethical considerations which must be embedded into the choices made by government so they are not simply "bolted on" as an element of crisis management.

Decisions made by governments around the world to the pandemic demonstrate their instrumental role in the responses made by corporations and civil society to enable a sustainable future. Good corporate governance also stems from good public governance.

We hope you enjoy this collection of papers that contribute to a greater understanding of how the world has responded to this pandemic.

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