



City Research Online

City St George's, University of London

Citation: Veldman, J., Jain, T. & Hauser, C. (2023). Virtual Special Issue on Corporate Governance and Ethics: What's Next?. *Journal of Business Ethics*, 183(2), pp. 329-331. doi: 10.1007/s10551-023-05338-8

This is the accepted version of the paper.

This version of the publication may differ from the final published version. To cite this item please consult the publisher's version.

Permanent repository link: <https://openaccess.city.ac.uk/id/eprint/33545/>

Link to published version: <https://doi.org/10.1007/s10551-023-05338-8>

Copyright and Reuse: Copyright and Moral Rights remain with the author(s) and/or copyright holders. Copies of full items can be used for personal research or study, educational, or not-for-profit purposes without prior permission or charge, unless otherwise indicated, provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page and the content is not changed in any way. For full details of reuse please refer to [City Research Online policy](#).

Virtual Special Issue on Corporate Governance and Ethics: What's Next?

Jeroen Veldman · Tanusree Jain · Christian Hauser

Abstract

Corporate governance (CG) is a key area of management with important implications for business ethics. The interface of CG and business ethics is populated with rich intellectual debates on the role of ethics in governance from a multi-disciplinary perspective. Within these debates, the relationship between CG and outcomes for business and society, and the role of CG structures and processes and their comparative aspects across institutional settings are discussed. Despite a proliferation of research at the interface of CG and ethics, we observe that an engagement with topics, methodologies, and expected outcomes drawing on established frames and theories of CG tends to the ignoring or even the preclusion of an explicit engagement with debates in business ethics. Through this VSI, we as section editors showcase previously published papers in the Journal that proactively explore the explicit linkages and interfaces between CG and ethical societal challenges, with the aim of inspiring further such CG research.

Corporate Governance and Ethics: What's Next?

Corporate governance (CG) is a key area in relation to business ethics. Recent discussions around CG show a growing interest in exploring the relationship between the (institutions of) CG and 'grand challenges' or 'grand ethical challenges' (Böhm et al., 2022) such as inequality, the overshooting of planetary boundaries, and corruption.

Through this Virtual Issue, we as section editors want to further research that proactively explores the linkages and interfaces between CG and ethical societal challenges. To

do so, we have identified previously published papers from the Journal of Business Ethics (JBE) that highlight specific themes that we consider important to further this debate in the Journal. The papers showcased by this VSI are available in the archive of the Journal. They can also be accessed through this VSI's permanent page on the Journal's website (<https://link.springer.com/collections/gfhggdcjfh>).

The Theory of the Firm in Corporate Governance

In the Corporate Governance and Ethics section of JBE, we emphasize the need to explicate underlying ethical considerations that drive CG practices. What this precisely entails might need some elaboration, also because much scholarship in CG relies on commonly accepted frames and theories in the field such as agency theory, institutional theory, resource dependence theory, and stakeholder and stewardship theories. While this has led to considerable strides in the field of CG, a rather narrow engagement with topics, methodologies, and expected outcomes in these frames and theories in our experience often leads to the ignoring or even the preclusion of an explicit engagement with the relation to debates in business ethics.

Here, Fia and Sacconi's (2019) paper provides a good example by departing from the classical theory of the firm

perspective to suggesting a social contract theory of the firm. Inspired by Rawls's theory of justice and Sen's capability approach, the authors argue how a constitutional contract on the distribution of primary goods and capabilities can better shape the principles of corporate governance to avoid the pitfalls associated with the abuse of authority within corporations while creating social outcomes. In this manner, they go beyond the intellectual boundaries of management sciences to borrow from the fields of, for instance, political philosophy and ethics. Along these lines, we encourage scholarly work that makes more significant contributions in this direction, including scholarship that further explores notions of the theory of the firm in relation to (business) ethics, for instance from the perspective of history and sociology.

Space for Interdisciplinarity

Likewise, we invite current CG researchers to expand the presently limited engagement with interdisciplinary conceptual developments within CG to encompass the fields of, for instance, company law, accounting, and finance. We also invite authors to study a wider array of firm-level outcomes that go beyond an exclusive focus on traditional financial performance parameters and to delve deeper into aspects of law, finance, and accounting. To illustrate, Maniora (2017) compares different ways in which firms can report on economic, social and governance related outcomes by comparing integrated reporting (IR) with different ESG reporting and management strategies. She demonstrates that the benefits that accrue from adopting different strategies for reporting non-financial outcomes are context dependent. We appreciate the submission of interdisciplinary approaches, for instance from law, accounting and (heterodox) economics, particularly where such approaches have a clear relation to business ethics.

The Relation Between Corporate Governance and Societal Outcomes

Beyond conceptual developments, we recognize that firm-level outcomes related to CG fundamentally impact and inform societal outcomes. For instance, Garel and Petit-Romec (2021) investigate whether and in what ways CSR leads to stakeholder value creation. Specifically, their study is related to the literature on strategic human capital and the divergence of interests between employees and shareholders and examines the influence of a firm's stakeholders on its CSR activities. Here, we note a growing interest and indeed encourage future examination of broader issues such as corporate purpose, stakeholder salience, the division of value among stakeholders (VCA), certifications,

greenwashing/greenhushing, and the like that have relevance for both CG and business ethics.

Corporate Governance and Institutions

Importantly, the study of issues at the interface of CG and business ethics includes both country-specific and multi-level informal institutions such as norms, customs, and traditions but also formal institutions such as legal, political, reporting, and financial mechanisms and systems (Jain & Xie, 2022; Veldman & Willmott, 2022). For example, the study by McGuire et al. (2019) integrates behavioral agency theory with the traditional stakeholder view to analyze the implications of executive compensation on corporate social performance. By distinguishing the effects of pay-performance sensitivity and compensation duration, the authors provide a more nuanced understanding of how and why CEO compensation influences social performance. We would be keen to see further development of grounded work on the operation of specific (new) institutional arrangements, such as the work of different kinds of codes of ethics, board committees, control and ownership structures, executive remuneration processes and structures and their influence on societal outcomes of the firm.

Diversity and Ethics

We have also witnessed substantial interest in board gender diversity as a mechanism to inculcate more ethics-based decisions at the firm level. For instance, Huang et al. (2020) make important contributions to the literature regarding women on corporate boards. First, their study contributes to the existing understanding of women on boards by identifying a theoretical mechanism based on social identity and optimal distinctiveness theories to explain women's appointment to boards. Second, their theorizing further suggests how we can improve the progress on gender diversity through women's collective efforts. Third, they advance our understanding of governmental and firm-level policies and practices to deliberately appoint women to boards, as their data point to a positive impact from the recently introduced quota mandate on gender diversity in Germany. We would be interested to see further expansion of this thematic area to include more grounded work on the operation of different kinds of diversity, including and indeed beyond gender. For instance, the different notions of diversity could be both visible such those captured through physical appearances, age, physical or intellectual disability, race, and ethnicity to some extent as well as invisible diversity such as those embedded in education, religion, class, sexual orientation, mixed race and more fluid understandings of gender itself.

The Comparative and the Ownership and Control Dimensions in Corporate Governance

Finally, and broadly in line with institutions and their relevance for CG, we invite corporate governance and ethical reflections from diverse geographical and cultural contexts, including manuscripts that adopt a comparative corporate governance perspective. There is a problematic notion in CG that a very limited subset of CG settings, i.e., the one that is delimited by large listed firms with dispersed shareholders, is both the factual and the normative point of departure for engaging with issues in CG. In this section, we would like to promote research into different CG settings and different types of control, including family-owned companies, state-owned companies and listed companies in different geographical regions. Furthermore, we welcome research into other forms of CG mechanisms, structures, and principles such as foundations, non-profits, benefit corporations, and B-Corp certifications.

Chen et al. (2022) for instance add new insights to the research on CG and board composition by focusing on NGO directors. Their study offers evidence that while appointing NGO directors may add legitimacy to a firm's board, these directors can help enhance CSR performance only in the long term. Theoretically, Chen and colleagues integrate a time dimension into resource dependence theory. Similarly, Krishnan and Peytcheva (2019) turn our attention to family firms and how external auditors—who normatively act as the public 'watchdogs' on financial reporting integrity and are important information intermediaries—assess fraud risk for family versus non-family firms. Their findings suggest that auditors perceive agency conflicts to be more severe in family firms and explicate implications for minority shareholders. This study has important implications for CG in family firms and business ethics. Finally, Harris et al. (2017) study board governance of charities, which have not received adequate attention in the CG literature yet. This study demonstrates how probability of asset diversion from charities can be reduced by establishing certain good governance measures notably monitoring by external stakeholders (such as debt holders and government grantors), monitoring through audits, and keeping managerial duties in-house.

In terms of focusing on different institutional contexts, Nakpodia et al. (2018) propose an alternative integrated approach for regulating corporate governance in Nigeria, through the path of co-regulation that involves the government and corporations in the country's CG system. Their study helps augment the nascent literature on CG in Sub-Saharan Africa.

Overall, the topics and papers that we have selected in this Virtual Issue provide examples of discussions that we find

relevant and thought provoking for progressing scholarship related to corporate governance and business ethics from multiple perspectives. We hope this virtual issue helps provide guidance to potential contributors of the JBE and helps in rejuvenating academic discussion at this vital interface.

References

- Böhm, S., Carrington, M., Cornelius, N., de Bruin, B., Greenwood, M., Hassan, L., Jain, T., Karam, C., Kourula, A., Romani, L., Riaz, S., & Shaw, D. (2022). Ethics at the centre of global and local challenges: Thoughts on the future of business ethics. *Journal of Business Ethics*, 180(3), 835–861.
- Chen, S., Hermes, N. & Hooghiemstra, R. (2022). Corporate social responsibility and NGO directors on boards. *Journal of Business Ethics*, 175, 625–649.
- Fia, M., & Sacconi, L. (2019). Justice and corporate governance: New insights from Rawlsian social contract and Sen's capabilities approach. *Journal of Business Ethics*, 160(4), 937–960.
- Garel, A., & Petit-Romec, A. (2021). Engaging employees for the long run: Long-term investors and employee-related CSR. *Journal of Business Ethics*, 174(1), 35–63.
- Harris, E., Petrovits, C., & Yetman, M. H. (2017). Why bad things happen to good organizations: The link between governance and asset diversions in public charities. *Journal of Business Ethics*, 146(1), 149–166.
- Huang, J., Diehl, M. R., & Paterlini, S. (2020). The influence of corporate elites on women on supervisory boards: Female directors' inclusion in Germany. *Journal of Business Ethics*, 165(2), 347–364.
- Jain, T., & Xie, J. (2022). Corporate Ethics Codes and Practices. *Oxford Research Encyclopedia of Business and Management*. Retrieved December 5 2022, from <https://oxfordre.com/business/view/https://doi.org/10.1093/acrefore/9780190224851.001.0001/acrefore-9780190224851-e-325>
- Krishnan, G., & Peytcheva, M. (2019). The risk of fraud in family firms: Assessments of external auditors. *Journal of Business Ethics*, 157(1), 261–278.
- Maniora, J. (2017). Is integrated reporting really the superior mechanism for the integration of ethics into the core business model? An empirical analysis. *Journal of Business Ethics*, 140(4), 755–786.
- McGuire, J., Oehmichen, J., Wolff, M., & Hilgers, R. (2019). Do contracts make them care? The impact of CEO compensation design on corporate social performance. *Journal of Business Ethics*, 157(2), 375–390.
- Nakpodia, F., Adegbite, E., Amaeshi, K., & Owolabi, A. (2018). Neither principles nor rules: Making corporate governance work in Sub-Saharan Africa. *Journal of Business Ethics*, 151(2), 391–408.
- Veldman, J., & Willmott, H. (2022). Social ontology of the modern corporation: Its role in understanding organizations. In R. E. Meyer, S. Leixnering, & J. Veldman (Eds.), *The corporation: Rethinking the iconic form of business organization* (pp. 165–189). Emerald Publishing Limited. <https://doi.org/10.1108/S0733-558X202200078009>