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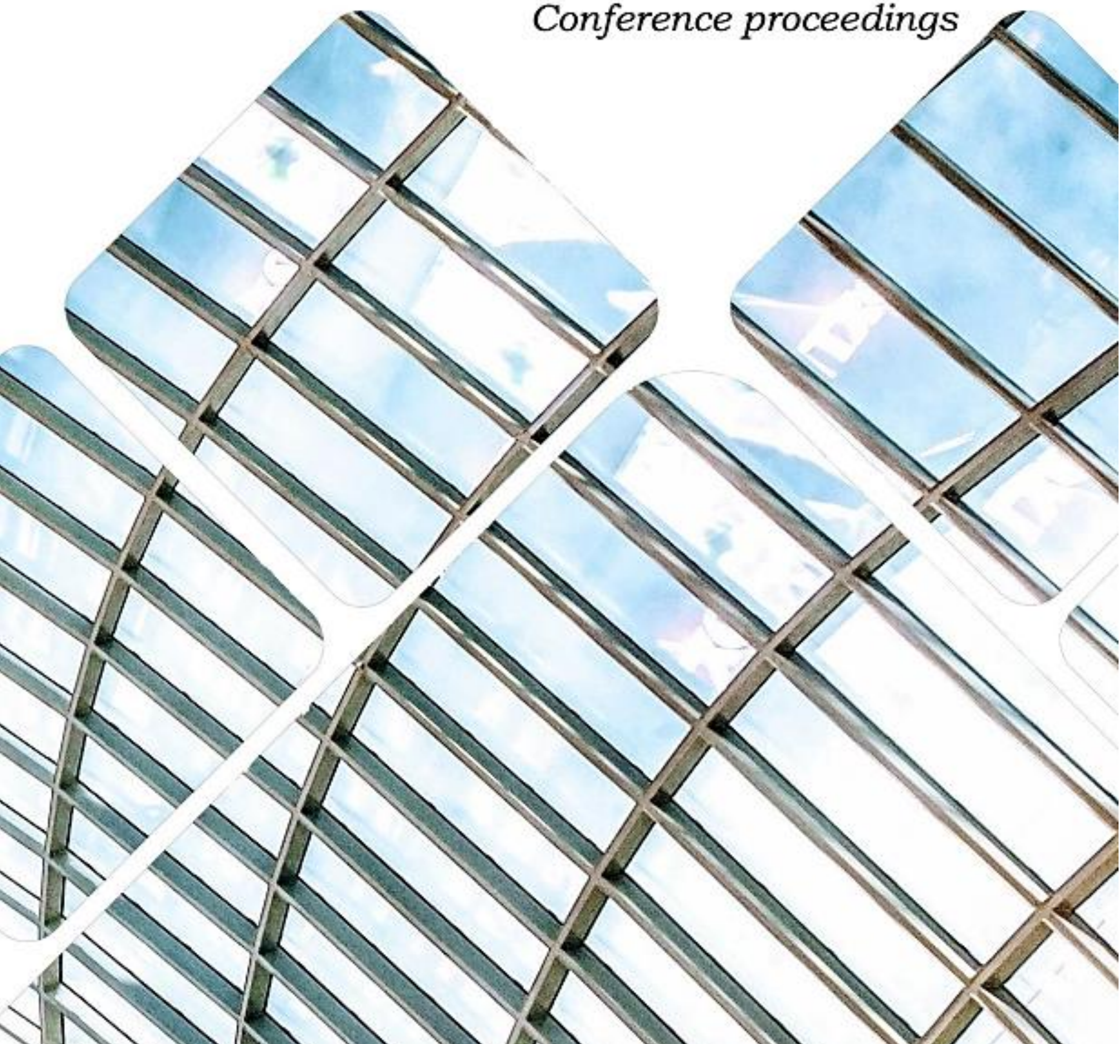

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CONTENTS

CORPORATE GOVERNANCE: NEXT STOP?

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"*Corporate Governance: Theory and Practice*", the annual conference by Virtus Interpress, is always a cornerstone to depict the state of the art on this critical topic. The 2022 edition makes no exception: the width and deepness of the topics as investigated by the accepted papers are proof, as these proceedings demonstrate. Nevertheless, there are some "fils rouge" that cross fertilize research and practices on corporate governance. Hereafter we challenge to illustrate them to stimulate forthcoming research, regulation and practices, for the next editions of the conference.

1. What is corporate governance?

The titles of the presented papers provide several insights into what corporate governance includes. Here are some keywords: gender diversity, remuneration fairness and transparency, board composition, ESG, social capital, disclosure, non-financial reporting, sustainability, firm identity, (corporate) well-being, governance risk-premium. At first sight, the corporate governance box seems to be large enough to become an "all-you-can-eat" research cluster! Indeed, this is not the case, particularly if we side the above question with the followings: what *was* corporate governance? Even more: what *will be* corporate governance?

According to ECB, "The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organisation — such as the board, managers, shareholders and other stakeholders — and lays down the rules and procedures for decision-making" (European Central Bank [ECB], 2004, p. 219). ECB glossary cites OECD. Shorter is ICAEW definition: "Corporate governance is the system by which companies are directed and controlled" (ICAEW, n.d.). Both definitions are large indeed so that you may include all the keywords of the conference as cited above.

A different perspective is given by Zingales (1997). He moves by defining governance as follows: "In spirit of Williamson (1985), I define a governance system as the complex set of constraints that shape the ex-post bargaining over the quasi-rents generated in the course of a relationship", and he continues: "A main role in this system is certainly played by the initial contract. But the contract will be incomplete, in the sense that it will not fully specify the definition of surplus in every possible contingency" (Zingales, 1997, p. 3). Finally, he concludes: "corporate governance is simply the governance of a particular organizational form — a corporation" and "*I define corporate governance as the complex set of constraints that shape the ex-post bargaining over the quasi rents generated by firms*" (Zingales, 1997, p. 3). Zingales' acumen lets us focus on the key underpinnings of corporate governance: the (agency) contracts and their incompleteness. Indeed, this framework gives us a more dynamic approach to corporate governance, by minimizing both the risk arising from too wide definitions and the one related to short-term critical issues (e.g., sustainability). In fact, under this approach, contingent topics remain relevant but miss to bind the entire concept of corporate governance to a specific time frame (i.e., to search for continuous updates). Last but not least, Zingales' proposal is compliant with the emerging research on the economics of corporate governance. In fact, the governance of agency relations is an expensive activity, while the control of agency costs is proof of its efficiency.

While past research on corporate governance was mainly concerned with the identification of its components along with the mechanics melting them, it is highly probable that in the forthcoming years the economics of corporate governance solutions will be investigated more and more. This will be also useful to regulators to prevent the adoption of regulating framework which may be toward superior equity and fairness, indeed, but completely out of any economic equilibrium. This was the case, for instance, of the auditor rotation rules, which suffered a lot from missing concerns on the trade-off of cost and benefits (i.e., agency costs) which may arise from any solution.

2. Corporate governance and the nature of the firm

The nature of the firm is probably one of the most complicated puzzles in economics and finance with no definitive solutions, so far. One possible solution sources from Jensen and Meckling (1976), who suggest the firm to be "*a nexus of contracts*". Zingales' (1997) proposal is fully compliant with this concept and it contributes to considering corporate governance as part of the nature of the firm; i.e., no firm may exist without any governance. In fact, we must distinguish the "nexus" from the "*patchwork of contracts*": the former building-up firms, the latter making relationships. This is also the reason why firms require decisions to craft the corporate governance in the most efficient way: relationships do not require them. Fitting the governance to the firm's nature has important consequences for research in business economics and as well as for Regulators and business people.

First of all, we must always have in mind that the reason for a firm's existence roots in its distinctive elements. Accordingly, the massive standardization of the corporate governance solutions is inconsistent with the nature of the firm. In fact, it is against the endogenous/firm-specific components of the firm, which cannot be standardized at all. This is the reason why regulations aiming to standardize strongly the corporate governance are probably against the firm survival and most of the sound entrepreneurial spirits. Making a comparison with concepts from finance: you must distinguish systematic from firm-specific risk, but cannot ignore the firm-specific consequences (e.g., in leverage decision making). Forthcoming research in corporate governance should clarify whether it refers to distinctive elements of the nature of the firms or to more systematic components to standardize.

Second, we cannot forget that the nature of the firm is strictly related to one of its stakeholders. The firm sustainability is a direct consequence of the firm's ability to carry on sound and fair relations with its stakeholders. Clear empirical evidence of such a stakeholders-view of the corporate governance is provided by: 1) the value-chain relationships and the way they are governed (e.g., consortiums such as Airbus or the NASA suppliers); 2) the cooperating clusters of firms requiring rules, including leadership, to govern their relationships (e.g., SMEs network/clusters in Northern Italy). To the best of our knowledge, we must start to consider corporate governance as a tool to relate the firm efficiently to its stakeholders.

Third, the above discussion connects directly with another critical issue of the puzzle concerning the nature of the firm: its boundaries. It is well known that legal profiles suffer from designing the correct boundaries of the firm. In fact, since the seminal book by Barney and Ouchi (1986), it is well accepted the idea that several solutions (behind the corner ones of markets and hierarchies) can regulate the transactions among different economic agents. This includes markets as assisted by hierarchy (this is the above cited Airbus case) or hierarchies assisted by markets (as in the case of the NASA suppliers above), along with several other "pseudo"-hierarchies (as in the case of the Italian SMEs-networks). This explains the expansion of research efforts on corporate governance mechanisms governing the relation of the firms with the stakeholder and those within their own boundaries. The 2022 conference has a lot of innovation on this specific issue.

Based on the above points, Bertinetti and Mantovani (2009) propose to consider "the firm as a nexus of stakeholders carrying on transactions to be governed through agency contracts" (p. 426) (i.e., corporate governance). Accordingly, we introduce the concept of "incomplete governance" (i.e., in a very similar way as the "incomplete contracts" and the "incomplete markets"). We define the governance as incomplete when the uncertainty as to realize unfair results from "the ex-post bargaining over the quasi-rents generated in the course of a relationship" (Zingales, 1997, p. 3) is very high ex-ante. This will bias agent behaviour during negotiations as well as the resulting contracts.

3. The economics of corporate governance

Missing the costs from whichever corporate governance solution is a mistake. Nevertheless, you must also consider the other side of the coin: the benefits arising from controlling the agency costs. The economics of corporate governance is based on the ratio between benefits and costs as related to a specific corporate governance solution. This approach should be included in any discussion on corporate governance, to consider the attractivity of whatever proposed solution: the lower is the efficiency ratio (between benefits and costs), the lower the attractivity also is.

(Corporate) finance is probably the field of research where the economics of governance are considered the most, although recurring to indirect evidence and proxies. Mantovani and Moscato (2020), give evidence of the superior capability of some corporate governance solutions to increase debt capital and bank allowances for a company. In this paper, the increase in collected capital is chosen as a proxy for the agency cost reduction. Bertinetti and and Mantovani submitted and discussed into this year conference a paper investigating the impact of incomplete governance over the cost of capital. The empirical evidence for Italy shows a governance risk premium into the cost of equity capital at 39bp, while 81bp are shared with debt capital.

Sustainability and governance are souring research efforts and practices, particularly within the initiatives on ESG. From our perspective, it seems that the economics of corporate governance is the missing point of this investigation. The research of (supposed?) fairness makes it less relevant to consider the economic profile, with the resulting effect that those solutions get *UNsustainable*, particularly in the long run. The inconsistency of economic sustainability put at risk any result of the research efforts while missing the economics of governance makes it difficult to find investors funding the investments as required by corporate governance schemes.

This leads to the last "fil rouge" to consider: *measurement*. To the best of our knowledge, qualitative data are massively used in research on corporate governance. Probably, the lack of affordable measurement tools is at the root of this fact. Nevertheless, the risk of obtaining research results as biased from the abuse of qualitative-only data should be considered. This is a good reason to improve research efforts into the measurement of indicators for corporate governance. But there is more! The adoption of a concept of corporate governance based on Zingales (1997) and Bertinetti and Mantovani (2009) requires a multivariate approach, provided that several items contribute to the corporate governance nexus. We know that indicators proposed so far on corporate governance suffer from many limits, mainly related to the ways (and weights) the indicators are melted together toward a unique indicator. From this perspective, the 2022 conference presented an unprecedented number of papers on this topic.

A unique (and common) conclusion emerges, at this point: a lot of work on corporate governance is waiting for all of us in the forthcoming times. A good reason to schedule the next conferences.

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SESSION 1: BOARD OF DIRECTORS

THE COMPOSITION OF BOARD COMMITTEES IN FAMILY FIRMS: DOES OWNERSHIP MATTER?

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Abstract

Board committees perform many of the board of directors' functions, making informed decisions within the framework of delegated authority and providing specific recommendations to the board on the matters in their domain. Their composition draws significant attention from shareholders, as they represent the *locus* where important decisions are formally taken. The aim of this research is to investigate the role of ownership in designing the board committees in family firms, especially considering the recent quest for sustainable corporate governance that requires sustainability expertise in the board of directors. The relative importance of family owners and institutional investors may be moderated by the presence of family members in the firm management.

1. INTRODUCTION

In recent years, increasing attention has been paid to the activities of the board committees, that perform many of the most important board functions, such as the determination of remuneration policies, the identification of potential board members, and supervision of financial reports. All this is due, among other things, to the increase in legal requirements and the growing complexity of the environment in which companies operate (Kolev, Wangrow, Barker, & Schepker, 2019).

As boards of directors have often been criticized for failing to fulfil their fiduciary duties, committees have been considered as a way to solve the board's deficiencies (Boivie, Bednar, Aguilera, & Andrus, 2016).

The importance of board committees and the fundamental contribution provided by non-executive and independent directors within the committees have been extensively analyzed by the literature on corporate governance (Kolev et al., 2019; Spira & Bender, 2004).

Some authors have focused on the link between corporate performance and board committee structure. For example, Klein (1998), regarding the board committee composition, finds a significant relationship between firm performance and how boards are structured, although the author shows little association between firm performance and overall board composition.

Other scholars have devoted their research efforts to specific boards committees, such as the audit committee (Bruynseels & Cardinaels, 2014; Farber, 2005; Kalbers & Fogarty, 1998; Klein, 2002), the governance committee (Huang, Lobo, & Zhou, 2009) and the compensation committee (Conyon & Peck, 1998). For instance, Farber (2005) found that fraudulent firms had poor governance mechanisms, but after detection, they make improvements, such as by increasing the number of financial experts on audit committees.

Finally, some studies have investigated the common membership, i.e., the presence of the same directors in different committees, in most cases the audit and the compensation committees (Brandes, Dharwadkar, & Suh, 2016; Liao & Hsu, 2013). For instance, Liao and Hsu (2013) examined the determinants and consequences of common membership across the compensation committee and the audit committee in the US firms.

According to Garg, Li, and Shaw (2018), the appointments of directors to committees may be influenced by the lack of specific regulation for chair appointments and the lack of significant time to devote to chair appointment decisions, thus leaving room for different types of favoritism, such as nepotism or friendship ties, often associated to family firms.

Notwithstanding the extant interest in the corporate governance literature, the composition of board committees still lacks thorough investigation in the context of family firms, which are typically characterized by a high involvement of family members in both ownership and management of the firm.

Prior literature suggests that family firms are characterized by a long-term orientation, as families are emotionally tied to the firm and desire to pass on the business to the heirs (Corbetta & Salvato, 2004). Since the degree of family involvement in the business is motivated by socio-emotional wealth considerations (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007) rather than purely financial ones, potential conflicts may arise with external investors, mainly interested in the firm financial performance.

Although family firms present quite varied ownership structures, they are usually characterized by a high degree of ownership concentration that affects governance structures and mechanisms.

In order to extend the prior literature on the role of firm ownership in influencing the composition of board committees in family firms, we aim at investigating whether the presence of family shareholders and institutional investors can influence the design of board committees.

In this regard, it is also important to question whether the presence of family members in the firm management has a role to play in moderating the effects of firm ownership on the composition of the board committees. In fact, prior studies focusing on board committee composition mainly analyze some directorial characteristics in terms of gender, tenure, type and occupation (Kesner, 1988), neglecting to consider whether the director is also a member of the family.

This study appears of particular interest especially considering the recent quest for sustainable corporate governance, which requires knowledge of sustainability from the board of directors. In fact, on the great waves of societal and political pressures, the governance agenda seems to be evolving rapidly towards increased attention to sustainable decisions and actions. In an attempt to meet this goal, some firms have decided to set up a specific sustainability committee.

Firm ownership may exert an important role in prioritizing sustainability-driven decisions, by influencing the composition of board committees.

2. RESEARCH METHODOLOGY

Aiming to perform our analysis, we use a sample of all family firms listed on the Italian Stock Exchange between 2010 and 2020. We rely on various sources to build our dataset. We collect board-level data from the annual corporate governance relations available on the Italian Stock Exchange website, we gather firm-level data from the Refinitiv Thomson Reuters database. Finally, for collecting data regarding the ownership structure, we use the information available on the Consob website (i.e., the Italian Stock Exchange regulatory authority).

As regards the variables included in our study, our dependent variable is represented by the composition of board committees. We use dummy variables accounting for the presence of the different committees (audit, remuneration, corporate governance, etc.) and we create a categorical variable to measure the functional expertise of the directors. As explanatory variables, we adopt the family ownership and the institutional investors ownership, and as a moderating variable, we include the number of family members in the firm management. Finally, consistent with prior studies, we consider a set of control variables at the firm level (i.e., firm age, firm size, leverage, profitability) and at the board level (i.e., board size, board independence).

To perform our analysis, we use a quantitative research method and a longitudinal research design, including industry year dummy variables.

3. CONCLUSION

This study calls attention to the role of ownership structure in designing the board committees in family firms. In particular, our research seeks to extend the theoretical understanding of the relationship between firm ownership and the composition of the committees, also taking into consideration the intensity of the family's involvement in the governance of the business.

This research makes significant contributions to both theory and practice. Specifically, we contribute knowledge to the extant corporate governance literature, investigating the role of ownership in designing the board committees in family firms.

Furthermore, this study also has the potential to provide significant practical implications in board design, as it may offer suggestions as to which directors are eligible for committee positions. Due to the recent call for sustainable corporate governance, boards of directors are expected to enlarge their competences, including sustainability expertise.

Firm ownership may exert an important role in prioritizing sustainability-driven decisions, by influencing the composition of board committees. In this sense, the design of the committees allows to attract new talents and obtain specific skills by inviting those who possess them.

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A RESEARCH AGENDA ON DE-BIASING THE BOARD

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Abstract

Boards of directors have the duty to make sound decisions in order to govern the firms they are responsible for. A considerable amount of board misleading during decision-making has mind biases as their root causes. The last decades witnessed plenty of disastrous governance decisions which could be avoided, had some cognitive bias been prevented. Because board directors engage in strategic decisions, the potential negative effects of such biases are of utmost importance, as shown through countless examples. The identification and awareness of such mind traps constitute the first layer of protection, however, is not enough. Some frameworks and tools are in need to address such decision-making traps, in order to avoid organizational mis-performance or even disaster. Measures are needed to counter the decision bias, or even neutralise them, at the board level. Being the need for measures to minimise or neutralize the negative impacts of mind biases obvious, this research is focused on identifying solutions and understanding how such solutions can be implemented in practice.

1. INTRODUCTION

The pervasive effect of mind bias behind strategic decision-making at large has been raised previously by several authors (Dörner, 1997; Hammond, Keeney, & Raiffa, 2006; Pick & Kenneth, 2012; Bazerman & Moore, 2013). Such effects can be witnessed in well-known cases such as: 1) the quasi-bankruptcy of Kodak, once a giant company, and where the board of directors at some decision point (1975) was apparently blind to a major technological transformation within the industry; 2) the billions of dollars of value destruction originated from the Daimler-Chrysler merger in 1998; or 3) the 2008 bailout of RBS, which costed some £45 billion; among other popular cases. Moreover, specific cultures also contribute to aggravating the potential impact of biases on decision-making at the top (Asaoka, 2020).

Cognitive limitations together with the concept of "bounded rationality" (Simon, 1990) and "limited rationality" (March, 1994), make it difficult to deal with organizational complexities. March also suggests that individual decision-makers have different risk profiles and risk-taking propensity within structural factors, which end up affecting the way they estimate risk.

Such biases have the potential to negatively impact the decision-making processes and cause severe harm to organizations for which board directors are accountable. Being aware of the existence of such biases helps but is far from the needed measures to effectively minimise or neutralise the potential negative effects. With a greater integration within and across teams, it is possible to achieve "cognitive repair" in what bias concerns (Dörner, 1997; Heath, Larrick, & Klayman, 1998). Recognizing biases and negative board behaviour is of the essence for increasing the effectiveness of boards (Pick & Kenneth, 2012).

Therefore, some tools and frameworks may help minimise such negative impacts. A tool or framework is a model, and some models are more useful than others. Therefore, the researched approaches complement each other, as the use of multi-model approaches is more robust than sticking with a sole model, in the sense that each model covers each one's potential blind spots.

Água and Correia (2021) previously suggested a list of the main bias affecting board decision-making. There are significantly more biases beyond the ones listened to by the authors, however, the sample here listed are among the most common ones. A particular set of critical biases in the context of the board of directors functioning is the category of social effect and *groupthink* (Janis, 1971). Therefore, this text and the following research to be published addresses the following biases:

1) social effect and groupthink;
2) memory retrievability;
3) emotional tagging;
4) sunk cost;
5) confirming evidence;
6) anchoring;
7) frame blindness;
8) estimation misconceptions;
9) overconfidence;
10) track failure

By studying and analysing board decisions, it is possibly thought several processes, ranging from generic problem-solving methodologies up to systems thinking, to engineer "layers of protection" preventing the impacts of decision biases. Such measures can improve board development through adequate training, by using useful decision models.

The intention behind this short text is to share some information regarding the methodological considerations being followed, as well as the unveiling of some solution tracks that may minimise the mind bias, as individuals or when integrating boards.

2. METHODOLOGICAL CONSIDERATIONS

The used methodology behind this research is an inductive one, from which logical cause-and-effect influences are investigated. The useful frameworks and tools from which to derive measures contributing to improved board decision-making originate from fields outside of the corporate governance mainstream and normative approaches. Such frameworks are grounded on fields such as complex sciences; decision sciences and psychology (Finkenstein, Whitehead, & Campbell, 2008) or systems thinking approaches to risk governance.

These approaches together with a logical thinking process, rooted in the *Theory of Constraints* are used to analyse potential causal solutions and derive measures to deploy them in practice (Goldratt, 1994). Hence, this research focuses on usefulness for practitioners, as opposed to solely academic circles.

3. DEBIASING THE BOARD

Decision biases have a high impact on the fate of organizations. According to Finkenstein et al. (2008), one could group many of such biases into two broad categories: 1) judgment errors from the decision-makers and 2) decision processes, which failed to identify and correct such mistakes.

Oftentimes a bad decision comes from an influential person making a judgment mistake, which may be aggravated by the decision process itself. At other times the problems are discussed, however, the "wrong perspectives" are not adequately exposed nor corrected.

While one cannot easily eliminate his/her own bias, when working as a group, bias can effectively be reduced if not eliminated to some extent. Some authors suggest the use of *safeguards* and *red flags* external to the decision-maker in order to minimise or correct bad decisions originating from bias — something directly applicable to board directors functioning. Safeguards act as a counterweight against the enabling conditions that would hit reg flags, and many organizations do have governance best practices that help minimise bias within the board functioning process. Actually, the whole set of compliance codes and best practices are themselves examples of such countermeasures, which usually link decision-making with organizational goals. Finkenstein et al. (2008) perspective is, however, one among several other valid ones. Table 1 presents potential solutions, for the main biases at play, which require further research and design in order to become useful for the practitioner.

Table 1. Summary of potential solutions to counter bias at the board

Bias	***Potential solution***	***Obs.***
1. Social effect	• Establish safeguards and red flags • Ensure there is enough diversity across the board • Systematically revise past group decisions	*Groupthink* is one of the negative impacts within the social effects category. Use of formal problem-solving techniques as well as periodical replacement of board directors may be an effective countermeasure. Directors shall be vigilant about such phenomenon.
2. Memory retrievability	• Establish group processes targeting each other's positions	While one is unable to correct its own bias, one's peer on the board is usually able to do so.
3. Emotional tagging	• Establish safeguards and red flags	Safeguards act as a counterweight against emotional tagging.
4. Sunk cost	• Establish safeguards and red flags	Seek opinions from people not related to previous decisions.
5. Confirming evidence	• Establish group processes targeting each other's checks	Ask help from a "devil's advocate", and be aware he/she is not falling into the bias.
6. Anchoring	• Approach the problem from different perspectives and seek other's opinions	Think about the problem before asking other's opinions and beware of not anchoring others into the same mind bias.
7. Frame blindness	• Reformulate the problem in a neutral fashion, as well as both gains and losses	Only by establishing a positive environment where debate or inquiry is the norm can frame blindness be minimised or eliminated.
8. Estimation misconceptions	• Establish safeguards and red flags	Misconceptions originate from pre-judgements, experience, self-interest, and inappropriate attachments.
9. Overconfidence	• Establish "early warning" processes, triggered by risk thresholds	Beware of risks assumed on the company's behalf.
10. Track failure	• Use of a decision framework to categorise the problem based on the criticality	Once categorised, one of several response sequences is possible as a function of the problem criticality.

There is however a particular category of bias associated with groups functioning of which a board of directors constitutes a prime example. Such would be the case of the phenomenon named after Janis (1971) as *groupthink* — a common situation where members of a group fail to address and critically discuss different viewpoints, therefore fostering blind spots and increasing organizational risk. The group members behave in such a way to minimise intragroup conflict and keep harmony. Such groups may fall under the mistaken illusion of invulnerability, which ends up suppressing dissent ideas and alternatives because the pressure for uniformity overwhelms such alternative behaviours. When the board is however facing a crisis, besides the previously discussed guidance, some framework suitable for managing complexity shall be used.

Having identified "suspect" solutions for the most common biases affecting decision-making at the board level, this research further moves into 1) the verification of causality existence (ensured by determinism) and 2) how to make such solutions deployable, hence useful for the practitioner.

4. CONCLUSION

Mind biases considerably undermine decision-making processes, and poor decisions at the board level can be burdensome to businesses. Hence, a greater potential for disastrous decision-making arises. Such issue is more critical at top leadership echelons, especially critical at the board level, and organizations shall implement defence mechanisms against such biases. Disastrous decisions can be prevented through measures that range from organizational processes, training of individual board directors, to the implementation of "cognitive repairs" where the focus is removed from the individual and pout at the group level (Heath et al., 1998). An investment in decision-making improvement may have a higher return than almost anything a business can do, and for the simple reason that such improvement costs generally little but may create enormous wealth and shareholder value. The subject here addressed is under further researched and a logical model is being set up to bring clarity and provide the basis for board directors' guidance at the individual, group, and organizational levels. The outcome of this research shall not only identify solutions for the most common biases undermining decision-making at the board level but also clarify and understand how such solutions can be deployed in practice.

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BOARD GENDER DIVERSITY AND CORPORATE ENVIRONMENTAL SUSTAINABILITY: A RESEARCH AGENDA

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Abstract

Environmental sustainability as a pillar of corporate sustainability has gained increasing prominence in policy and academic discourses (Birindelli, Iannuzzi, & Savioli, 2019).

The rise of regulatory frameworks, combined with stakeholder pressures to discourage actions that are harmful to the community and the environment, are driving companies to respond to the increased demand for environmental sustainability as a means to enhance their reputation and sustain their business over time.

Consequently, scholarly research has expanded its scope beyond the focus on economic sustainability to include the determinants and enabling conditions of social and environmental sustainability (Cohen, Smith, & Mitchell, 2008; Hall, Daneke, & Lenox, 2010; Cohen & Winn, 2007; York, O'Neil, & Sarasvathy, 2016).

Recent research has focused on the role of internal corporate governance mechanisms in corporate environmental sustainability (CES) (Cordeiro & Sarkis, 2008; Calza, Profumo, & Tutore, 2016; Lu & Herremans, 2019; Ortiz-de-Mandojana & Aragón-Correa, 2015;

Ortiz-de-Mandojana, Aragón-Correa, Delgado-Ceballos, & Ferrón-Vílchez, 2012; Walls, Berrone, & Phan, 2012). An important subset of this research specifically concentrates on the impact of board characteristics (de Villiers, Naiker, & van Stade, 2011; Kock, Santaló, & Diestre, 2012; Post, Rahman, & McQuillen, 2015; Quintana-García & Benavides-Velasco, 2016).

Board gender diversity is one such characteristic of board structure that is believed to promote CES. It is argued that female directors are beneficial to CES by virtue of being more socially responsibly oriented than men, more interested in community service and philanthropic activities, as well as by bringing different perspectives to the board, encouraging more open conversations and enhancing the decision-making process related to CES.

Motivated by the growing interest in the relation between board gender diversity and CES, this study aims to survey the empirical literature that has analyzed this potential association and set out an agenda for future research.

Using the Scopus database, we collected and content-analyzed empirical articles on board gender diversity and CES published over the years 2015–2021. As a result of this search, we came up with 40 empirical papers.

This analysis aims to answer three main research questions:

RQ1: What are the main research strands and emerging topics?

RQ2: What are the main theoretical perspectives and methodological approaches?

RQ3: What are the possible future directions of research?

With respect to *RQ1*, we identified three different research areas:

- gender diversity and corporate environmental performance;
- gender diversity and corporate environmental disclosure;
- gender diversity and corporate environmental investments.

With respect to *RQ2*, it emerges that the existing research on gender diversity and environmental sustainability draws on a range of theoretical perspectives, including:

- agency theory;
- stakeholder theory;
- resource dependence theory;
- legitimacy theory;
- gender socialization theory;
- gender role theory;
- upper echelon theory;
- critical mass theory.

From an agency theory perspective, scholars suggest that female directors are more effective monitors of managerial actions, as they tend to be more aware of ethical issues concerning environmental practices

(Burkhardt, Nguyen, & Poincelot, 2020; Cumming, Leung, & Rui, 2015; Nekhili & Gatfaoui, 2013).

From a stakeholder theory perspective, board gender diversity is argued to increase pressure on firms to adopt different environmental practices in order to meet the expectation of stakeholders (Haque & Ntim, 2018; McGuinness, Vieito, & Wang, 2017, Michelon, 2011).

Studies based on the resource dependence perspective suggest that female directors can bring critical advice and resources that affect corporate decisions in adopting sustainable environmental strategies and mitigating environmental damage (Haque & Jones, 2020; Tourigny, Han, & Baba, 2017; Glass, Cook, & Ingersoll, 2016; Byron & Post, 2016; Mallin & Michelon, 2011; Bear, Rahman, & Post, 2010).

Alternatively, the legitimacy theory perspective focuses on how board gender diversity and environmental performance are used by companies to obtain approval from the broader society, which is expected to enable companies to be successful and sustainable (Elmagrhi, Ntim, Elamer, & Zhang, 2019; Haque & Ntim, 2018; Torchia, Calabrò, & Huse, 2011).

Empirical studies based on gender socialization theory found that females exhibit greater positive attitudes towards environmental responsibility than males (Hunter, Hatch, & Johnson, 2004; Zelezny, Chua, & Aldrich, 2000) and that they are generally socialized to be more passionately sensitive, value other's need, demonstrate ethics of care and show altruism (Beutel & Marini, 1995; Gilligan, 1982). Similarly, the gender role theory suggests that women may take a more holistic view of the world and be more concerned about the environment than men (Brough, Wilkie, Ma, Isaac, & Gal, 2016; Hyde, 2014; Polk, 2003; Simićević, Milosavljević, & Djoric, 2016).

The upper echelon theory posits that managers' demographic characteristics (such as age, education, organizational tenure and functional background) and psychological characteristics — particularly their personal values — have an impact on organizational outcomes (Rahman & Post, 2012; Samdahl & Robertson, 1989; Grunert & Kristensen, 1992; Diamantopoulos, Schlegelmilch, Sinkovics, & Bohlen, 2003).

Finally, proponents of the critical mass theory propose and empirically test the hypothesis that only once the number of female directors has reached three or more, they become influential in decision making (Konrad, Kramer, & Erkut, 2008; Joecks, Pull, & Vetter, 2013; Jia & Zhang, 2013; Owen & Temesvary, 2018; Atif, Hossain, Alam, & Goergen, 2021). This contention is validated among others by Post, Rahman, and Rubow (2011), who find that firms with three or more female directors have higher scores for corporate environmental responsibility than other firms.

The analyzed studies with a few exceptions tend to rely on a single theoretical perspective to frame their analysis and explain the findings.

Therefore, future studies should increasingly rely on a multi-theoretical approach to explain the potential association between board gender diversity and environmental sustainability.

Overall, the results of this study may contribute to a better understanding of the role of board gender diversity in corporate environmental sustainability, outlining the current state of research and providing an agenda for future research.

Specifically, based on the findings of our review, we suggest that future research could deepen the analysis regarding 1) the role of the professional background of female directors; 2) the role of their previous experience with environmental practices; and 3) the role of national culture and institutional environment in the relation between gender diversity and environmental sustainability. Additionally, studies should be devoted to assess the actual willingness of female directors and executives to invest in environmental protection activities possibly distinguishing between emerging and advanced economies, and to examine whether a greater presence of women in board positions is associated with a greater quality of corporate environmental disclosure or less frequent and less severe environmental incidents.

Finally, from a methodological viewpoint, most of the surveyed research is quantitative and tends to focus on single countries rather than attempting cross-country assessments. This suggests the need for more qualitative, mixed-methods and cross-country studies.

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SESSION 2: CEO AND DIRECTORS' REMUNERATION

EARNINGS MANAGEMENT AND ASYMMETRIC SENSITIVITY OF BONUS COMPENSATION TO EARNINGS FOR HIGH-GROWTH FIRMS

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Abstract

In this study, we examine whether high-IOS (investment opportunity set) firms *vis-à-vis* non-growth (low-IOS) firms will not reduce discretionary expenditures, such as advertising expenses, research and development, and selling, general and administrative (SG&A) expenses, to further sustain the firm growth in a more conservative reporting environment (the post-Sarbanes-Oxley (SOX) period). We also investigate, as an extension of a prior paper, the sensitivity of chief executive officer (CEO) bonuses to earnings in the cases of high-IOS and low-IOS firms. As we hypothesize, both high-IOS and low-IOS firms showed significant decreases in the sensitivity after SOX. Also, our empirical evidence is also consistent with Lobo and Zhou's (2006) observations that high-IOS and low-IOS firms are more conservative in financial reporting in the first two years after SOX because of required regulatory changes. Consistent with prior research, IOS is measured by the principal component of four IOS proxies. The principal component was calculated from eigenvectors (coefficients) and the four proxies at

the beginning of fiscal year *t*, where *t* belongs to the pre-SOX period (1995–2000) and the post-SOX period (2002–2007). The high-IOS firm years in the pre-SOX (post-SOX) period were those with IOS composite scores above the pre-SOX (post-SOX) period sample median; the low-IOS firm years were those with IOS composite scores below the pre-SOX (post-SOX) period sample median. Empirical evidence generally supports the above hypotheses. As in Zang (2012), the data was winsorized at both ends at the level of 2.5%. In terms of contributions and limitations of this study, we use the investment opportunity set variable (IOS) as a proxy for firm growth. The proxy was more recommended by prior research and is measured by the principal component of four IOS proxies (investment intensity, geometric mean annual growth rate of the market value of total assets, market-to-book value of total assets, and research and development expenditure to total assets) rather than the simple, frequently-used proxy for firm growth (the market-to-book (MTB) value of assets). The evidence of high-IOS firms' increase in discretionary expenditures (and decrease in real earnings management) even after SOX and the effects of SOX and other concurrent reforms on the sensitivity of executive bonus compensation-to-earnings changes are considered to be particularly useful information for regulators, managers, politicians, investors, and academics in their assessment of the earning-management methods differently adopted by high-IOS and low-IOS firms and the equitable relationship between executive efforts and executive compensation for firms affected by the SOX Act and levels of IOS. The potential limitations of this manuscript are obviously related to the use of proxies (IOS), especially for firm growth and earnings management models, which are usual for many empirical studies. Also, our findings should be understood within the context that the study relied on data from the USA, a developed country. Therefore, the findings may not be generalized to firms operating in developing countries.

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DOES BOARD OF DIRECTORS' REMUNERATION AFFECT BANKS' PERFORMANCE? A BROAD EMPIRICAL ANALYSIS IN THE US BANKING SYSTEM

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Abstract

This paper explores the relationship between directors' remuneration and banks' performance using extensive panel data for the period 2002–2021, to be able to make comparisons between the COVID-19 period and the pre-COVID-19 period and also make a comparison with the Great Financial Crisis born in the US in 2007. The scientific analysis methodology adopted is based on panel data analysis and the content analysis approach. The first results of the data analysis allow highlighting the existence of a significant connection between the remuneration policies adopted by the US banks with respect to the results obtained in terms of profitability. These findings can help banks identify best practices for bank management during the financial international crisis, as well as provide useful insights to different categories of stakeholders, including bank regulators and supervisors.

1. INTRODUCTION

One of the most extensive issues in the banking corporate governance literature continues to be the remuneration of members of the board of directors and managers, especially in times of crisis in the financial and economic system.

In the current period of the COVID-19 pandemic to which the Ukraine international crisis has been added, which will produce economic effects already in the short term, banks are called upon to pay more attention to containing the inevitable negative repercussions on their performance. In this difficult scenario, attention is growing on the remuneration of directors and managers. Banks, more than in the past, are required to review the remuneration structure of their management to make them financially compatible with the general situation of financial and economic crisis.

The theory of managerial remuneration derives mainly from agency theory, within which there is the separation of roles between those who manage the company and the owners/shareholders of the same. Within this theoretical scheme, at least two theoretical approaches can be identified. The dominant approach to studying executive compensation sees manager remuneration arrangements as a remedy for the problematic agency. Based on this approach, clearing systems are designed to provide managers with efficient incentives to maximize shareholder value. Another approach to studying the remuneration of directors (e.g., board of directors, top management) focuses on another link between the agency problems. Specifically, the board of directors' remuneration is seen not only as a potential tool to try to solve the agency problem but also as a structural part of the agency problem. As numerous studies have acknowledged, some features of remuneration contracts seem to reflect the pursuit of managerial characteristics rather than the provision of efficient incentives.

Therefore, it is important to be able to understand the existence of an influence of the remuneration of the boards on the substantial costs for the shareholders, distorting the incentives of the managers and therefore damaging the performance bank.

The board of directors' remuneration is an important mechanism for soliciting effort, rewarding productivity, and ensuring that owners' interests are respected. Hence, information on directors' pay structure is important to understand what effects it may have on the bank's performance.

The purpose of this paper is to contribute to understanding the relationship between board of directors' remuneration and bank performance in the US banking system.

2. WHAT IMPACT DOES THE REMUNERATION OF DIRECTORS AND MANAGERS HAVE ON BANKS' PERFORMANCE?

The business literature is not unanimous in recognizing the existence of a significant relationship between the remuneration of directors and the performance of companies.

The business literature is not unanimous in recognizing the existence of a significant relationship between the remuneration of directors and the performance of companies. This line of research has minimally concerned the banking sector, especially before the 2007 financial crisis.

However, remuneration is an important mechanism for soliciting effort, rewarding productivity and ensuring that owners' interests are respected. Therefore, it is important to understand whether the directors' remuneration structure can be considered an aspect that can stimulate the directors themselves to improve the performance of the bank.

The scientific analysis methodology adopted is based on panel data analysis and the content analysis approach. This methodological choice is consistent with the exploratory nature of the analysis carried out. Through the analysis of the panel data, the existence of a significant relationship between the remuneration of the board and the performance of the bank in terms of profitability was verified. The dataset was built considering two databases: Moody's Analytics BankFocus and BoardEx. Through the content analysis, the historical evolution of the remuneration policies of the board and of the role played by the remuneration committee set up within the board of directors were analyzed.

The relationship between remuneration and CEO performance is also investigated and different dependent banks variables, alternative performance measures and different estimation techniques are used (pooled ordinary least squares (OLS) and fixed effect with lagged variables). The analysis carried out is in-depth as it considers the different roles of the directors (e.g., CFO, deputy chairman, shareholder representative, independent director).

The objective of this work is also to understand the managerial reaction of banks to the management of the COVID-19 crisis, trying to investigate what were the most used variations in the extent and composition of the board's remuneration to contain the effect of crisis.

3. SOME CONCLUDING REMARKS

The results of this analysis can make it possible to define best practices for the banks' management in times of crisis and provide useful elements for reflection also to the banking supervisory authorities and policymakers.

In times of financial crisis, banking regulators and supervisors expect banks to exercise extreme restraint regarding variable remuneration payments to the extent that such payments may lead to a deterioration in the amount or quality of total capital of the bank.

The first results of the data analysis allow highlighting the existence of a significant connection between the remuneration policies adopted by the US banks with respect to the results obtained in terms of profitability.

This result shows that remuneration policies can be useful in improving the profitability of banks. However, it needs to be understood whether or not this improvement is associated with an increase in the bank's overall risk.

These findings can help banks identify best practices for bank management during the financial international crisis, as well as provide useful insights to different categories of stakeholders, including bank regulators and supervisors.

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SESSION 3: AUDITING AND ACCOUNTING

THE INTERNATIONAL EFFECT OF CEO SOCIAL CAPITAL ON THE VALUE RELEVANCE OF ACCOUNTING METRICS

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Abstract

We investigate the effect of chief executive officer (CEO) social capital, proxied by the CEO network centrality, on the value relevance of accounting metrics for non-US firms, and the roles country-level governance attributes play during the valuation process. We find a strong positive relation between CEO social capital and the value relevance of book equity but a strong negative relation between CEO social capital and the value relevance of earning metrics. Further analysis shows that the results are robust with the use of different regression models, and that strong country-level governance quality cannot significantly alter the significant negative relation between CEO social capital and value relevance of earning metrics. Interestingly, we find that the positive relation between CEO social capital and the value relevance of book equity is weakened while the negative relation between CEO social capital and value relevance of earnings metrics is strengthened for firms in developed countries where country-level governance is stronger and institutional investors play a more important role in the market. Overall, our evidence supports the theory that CEO social capital has both "positive" and "detrimental" effects on firm and market outcomes.

1. INTRODUCTION

A growing number of studies investigate the effect of social connections between top executives, managers, board members on firm and market outcomes. In each case, authors argue that the direct or indirect connections between executives, sometimes referred to as executives' social capital, is an important intangible asset of the firms and that the executives' connections/social capital have an important indication of the firms' economic activities and financial policies (Bebchuk, Cremers, & Peyer, 2011; Engelberg, Gao, & Parsons, 2011; Fracassi & Tate, 2012; Larcker, So, & Wang, 2013; El-Khatib, Fogel, & Jandik, 2015; Fracassi, 2017; Ferris, Javakhadze, & Rajkovic, 2017a, 2017b; Egginton & McCumber, 2019; Luehlfing, McCumber, & Qiu, 2022). Executives' social capital can bring benefits to the firms by allowing the executives to have easier access to information and resources through the network, and helps executives make better decisions for the firms that they manage. To some extent, social capital can also serve as a governance mechanic to monitor the executives' behaviors and help enable "trustworthy" activities, which in turn, help improve the reputation of those executives within the network. Such a "governance" role can be more important in an environment where external governance is weaker. Social capital, however, can potentially bring detrimental effect to the firms by potentially mitigating the effect of other governance mechanics on the executives, and inducing the executives to seek for more "rent extracting" activities. The negative effect could be more pronounced in an environment where external governance is weaker and the level of corruption is higher (Faccio, 2006).

In this study, we examine how chief executive officer (CEO) social capital, as one important type of the executives' social capital, affects the value relevance of accounting metrics taking into consideration the governance quality and economic development status of a country. The value relevance of accounting metrics is important as it measures the usefulness of accounting information from the perspective of equity investors (Barth, Beaver, & Landsman, 2001). The value relevance of accounting metrics also conforms to the ultimate objective of financial reporting: to provide relevant information on performance and to assist investors in equity valuation and making investment decisions. From the perspective of the firms, the increased value relevance of accounting metrics can lower the information risk for investors, who in turn, may request a lower equity risk premium for investment, and that leads to a potentially lower cost of equity for the firms (Francis, LaFond, Olsson, & Schipper, 2004).

Examining the effect of CEO social capital on the value relevance of accounting metrics can help us better understand the impact of CEO social network on firm and market outcomes, as well as the importance of intangible assets on the valuation process (Amir & Lev, 1996; 28.

Hughes, 2000; Francis, Hasan, Siraj, & Wu, 2019; Luehlfing et al., 2022). The result also has practical implications. If CEO social capital is proved to have an important influence on the value relevance of accounting metrics, practitioners should take into consideration this important intangible asset when they evaluate the intrinsic value of a company's common equity using the residual income method.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

As the usefulness of financial accounting information is a joint product determined by the quality of corporate financial reporting and the response from equity investors from the financial market, the value relevance of accounting metrics can be affected by many factors. For example, firms with different characteristics, such as size, profitability, growth potential, and negative book value, can report accounting metrics that are more or less useful to investors (Collins, Magdew, & Weiss, 1997; Collins, Pincus, & Xie, 1999; Francis & Schipper, 1999; Hodgson & Stevenson-Clarke, 2000; Brown & Shivakumar, 2003). As the financial reporting may reflect different incentives of its top executives and managers, whose behaviors are directly monitored by other corporate governance mechanics of the firms, the value relevance of accounting metrics can be deviated for firms with different characteristics of their managers, executives, and corporate governance (Francis et al., 2019; Davis-Friday, Eng, & Liu, 2006; Luehlfing et al., 2022). The financial reporting and the investors' behaviors can also be influenced by macro-level attributes of a country, such as its accounting standard, sophistication of the financial market, the rules and regulations imposed by the government, and investor protection. Such country-level attributes, governance quality, in particular, can potentially affect the value relevance of accounting metrics (Alford, Jones, Leftwich, & Zmijewski, 1993; Ali & Hwang, 2000; Bushman & Smith, 2001; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1997, 1998, 2000). Although the valuation process is invisible, we argue that the CEO social capital can affect the valuation process through the information and reputation channels, as well as the power CEOs accumulate through the above channels.

The value relevance of accounting metrics may be higher in a country with a more sophisticated financial market, and better governance quality, whereas CEO social capital may play a more important "governance" role to provide more relevance and reliable accounting information to the markets in a country with the less developed financial market and lower governance quality. The opposite assumption can also be legit as CEOs with higher social capital may engage in more rent-seeking behaviors in an environment with lower governance quality. There's also a possibility that investors in the market may ignore CEO social capital during the valuation process as CEO social capital is an intangible asset that is not normally recognized by any accounting standards; thus, CEO social capital would not affect the value relevance of accounting metrics at all. With the discussions above, we form three hypotheses, to test the effect of CEO social capital on the value relevance of accounting metrics in the hypothesis 1 (*H1*), and to test whether the effect of CEO social capital on the value relevance of accounting metrics differs in countries with high- and low- governance quality and in developed and developing countries in the hypotheses 2 (*H2*) and 3 (*H3*).

3. SAMPLE CONSTRUCTION

To further investigate this topic, we first follow previous literature and create CEO network centrality measurements to proxy for CEO social capital (El-Khatib et al., 2015; Egginton & McCumber, 2019; Egginton, McBrayer, & McCumber, 2020; Fogel, Jandik, & McCumber, 2018). We argue that our centrality measurements can capture the power and influence the CEOs have within their network and can therefore represent the essential aspects of the social capital. In particular, we collect current board position data of executives for non-US firms from Boardex and create four different proxies for social capital, including *Degree*, *Eigen*, *Between*, and *Close* based on a number of direct ties with others in the network, the connections to the "connected" people in the network, how often an individual lie on the shortest distance between other two members, and the inverse of the sum of shortest distances between an individual and other individuals in the network. We also use the principal component method to create the last social capital proxy, *PCA*, to capture the common features of the four different proxies. Next, we obtain relevant financial and price information from Thomson Reuters Worldscope dataset, daily currency exchange information from International Monetary Fund (IMF), and other country-level attributes from the World Bank. Lastly, we exclude the firms in the financial (SIC 6000-6999) and utility industries (SIC 4400-4499) and firms with missing information for variables required in our empirical analysis.

4. RESEARCH METHODOLOGY AND EMPIRICAL RESULTS

We first examine the relation between *CEO social capital*, *Book value per share*, and *Earnings per share*. Following Ohlson (1995), we regress future equity price on *Book value per share*, *Earnings per share*, *Social Capital*, the interactions terms between these variables, along with some controlled variables that can potentially affect the value relevance of accounting metrics, and we emphasize on the impact of CEO social capital on the incremental explanatory power of *Book value per share* and *Earnings per share* on the future price, or the coefficients of the interaction terms between *Social Capital* and *Book value per share* and between *Social Capital* and *Earnings per share*. We find that the coefficients for all the interaction terms between *Social Capital* and *Book value per share* are positive and significant ($p < 0.01$) while the ones for the interaction terms between *Social Capital* and *Earnings per share* are negative and significant ($p < 0.05$). The effects are also economically large. Setting *Degree* as an example, holding other variables constant at mean value, moving from the 25th to the 75th percentile of CEO social capital in our sample, one dollar increase in *Book value per share* and *Earnings per share* results in 1.7% increase and 5% decrease in the market price of common equity in the sample, respectively.

To ensure that our results are not biased due to the use of the ordinary least square (OLS) model, we re-analyze our results using three different regression models: sensitivity analysis by excluding observations from Canada, weighted least square (WLS) model, and two-stage least square model and we find that our results hold in each scenario. In the un-tabulated test, we also re-estimate our results by substituting the social capital measurement with mean social capital in a country in the OLS regression and also observe similar results.

Next, we examine how governance quality and economic development status of a country affect the positive (negative) effect of CEO social capital on the value relevance of book value (earnings). To do so, we create dummy variables to proxy for high-quality governance groups and for developed countries, including the dummy variables into our baseline model, and interact the dummy variables with the variables of interest. Interestingly, we find that the positive effect of CEO social capital on the value relevance of book value of equity is significantly weakened in the high-quality governance group, but we also find that there's no significant difference in the effect of CEO social capital on the value relevance of earnings metrics between high- and low- quality governance group.

As for the impact of the economic development status of a country, we find that the positive effect of CEO social capital on the value relevance of book value of equity is significantly weakened in developed countries, similar to the one in high-quality governance group. Interestingly, we also find that the CEO social capital has some strong positive effects on the value relevance of earning metrics in developing countries whereas the effect of CEO social capital turns strong negative in developed countries. In another word, the strong negative relation between CEO social capital and value relevance of earning metrics concentrates in firms in developed countries. It is worth noting that developed countries often have more sophisticated financial markets, higher governance quality and higher institutional ownership which has been documented in previous literature as an extra layer of corporate governance (Bushee & Noe, 2000; Chung & Zhang, 2011; Harford, Kecsks, & Mansi, 2018), so the overall result suggests that high governance quality can weaken the strong positive relation between CEO social capital and value relevance of book value of equity, but not alter the strong negative relation between CEO social capital and value relevance of earning metrics. To some extent, the existence of significant positive relation between CEO social capital and value relevance of earning metrics in developing countries suggests that CEO social capital plays a more important "governance" role to induce sub-optimal CEOs' behaviors to report more value relevant earning metrics for the firms in an environment where governance quality is lower.

5. CONCLUSION

In this study, we examine the relation between CEO social capital and the value relevance of accounting metrics for non-US firms. We find that firms with higher CEO social capital have higher (lower) value relevance of book value (earnings). Additional tests show that the results are robust with the use of sensitivity analysis, WLS model, and two-stage least square model. Additionally, we also examine whether the governance quality of a country can strengthen or weaken the impact of CEO social capital on the value relevance of accounting metrics. Through the analysis, we find that high governance quality can weaken the positive impact of CEO social capital on the value relevance of book value of equity, but cannot alter the negative impact of CEO social capital on the value relevance of earnings. We also document evidence that CEO social capital has a strong negative (positive) impact on the value relevance of earnings in developed (developing) countries where governance quality is high (low). To some extent, the evidence supports the theory that the CEO social capital can be a substitute for external governance mechanics in a country to monitor CEOs' behavior (Engelberg et al., 2011; Ferris et al., 2017a).

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MEASURING CORPORATE GOVERNANCE DECISIONS AND PERFORMANCE WITH FINANCIAL ANALYSIS IN PUBLIC ACCOUNTING DATA OF LGOS IN GREECE

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Abstract

In Greece, one of the oldest institutions is the one that concerns the local government. These organizations are critical for the country's administration and structure, as each local government's mandate includes dealing with problems and issues that may affect the local population. Local government organizations (LGOs) (first-degree) municipalities are the primary administrative bodies of the country's local government. An LGO (first-degree) municipality is a basic unit of public administration that is considered the primary self-governing unit in a vast number of states. A city, a municipality, and the towns around them can all be included in the area and scope of control. In big cities, it is common for the municipality to cover a single district, an entire area, a suburb or a village located further out in the province, or even an island or collection of islands. The history of LGOs (first degree) municipalities in Greece begins in antiquity and continues to this day as

a strong self-governing unit. Article 102 of the Greek Constitution, in connection with the Municipal and Community Code as contained in Law No. 3463/2006, defines both the responsibilities and the obligations of Greek LGOs (first degree) municipalities operating in the country. The last two most important programs, legal reforms, were Kallikratis (Law No. 3852/2010) which essentially divided the country into 325 municipalities, and Cleisthenes (Law No. 4555/2018), which divided the country into 332 municipalities. Both of the above programs divided municipalities into municipal units and communities. In turn, the municipal units were the former LGOs (first degree) municipalities of the Kapodistrias Program (Law No. 2539/1997), which have now been merged.

After an analytical literature review of similar programs, and legal reforms, in different countries of the world, several advantages and disadvantages are arisen, as well as basic information about the programs of the municipalities and the history of the LGOs (first-degree) municipalities separately per country. Starting with this theoretical background, this work deepens based on financial ratios from the public accounting data of five LGOs (first-degree) municipalities in Northern Greece. Its purpose is to show how the specific LGOs (first-degree) municipalities moved, what were the results of the strategic actions of the new municipal authority or the same reelected authority based on their financial results, and which of the LGOs (first-degree) municipalities performed better in terms of corporate governance. More specifically, the analysis of the accounts of the municipalities based on mathematical formulas is presented as well as their performance in terms of corporate governance for five LGOs. For this reason, the income-expenditure accounts for the period 2019 and 2020 are used. Thus, this work is based on specific public sector financial ratios such as the autonomy ratio, the instability ratio, the percentage depending ratio, and others. Finally, our study presents the comparison between the governments of the LGOs (first-degree) municipalities of 2019 and 2020 and their results signalizing differences for new municipal authority in terms of corporate governance.

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ESG FEATURES IN FINANCIAL INSTRUMENTS: A CHALLENGE FOR THE ACCOUNTING TREATMENT

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Abstract

The volume of financial instruments including environmental, social, and governance (ESG) features is rapidly increasing with a result that the scale of the issue continues to increase in the lack of a specific accounting rule. This situation creates a deep debate referring to the possibility of financial instruments with an ESG factor to pass the solely payments of principal and interest (SPPI) test according to the current requirements in International Financial Reporting Standards (IFRS) 9. The debate is not only present in Europe but also in the US. The current accounting standards are not able to define a unique accounting solution for instruments that incorporate ESG factors and when these factors are material for the market, it is not clear which may be the proper solution to present them in the financial statements. The main issue is if it needs to separate ESG features from the basic financial instruments. Existing different positions on this issue, European Financial Reporting Advisory Group (EFRAG) proposed to International Accounting Standards Board (IASB) the introduction of more guidance and examples to apply in a consistent way the current provisions set forth by IFRS 9. In a dynamic market characterized by strong growth and the introduction of new complex instruments, the solution proposed by the EFRAG appears minimal. The introduction of a specific section of IFRS 9 addressed to this issue may be more

appropriate in the light of the existing attention on the ESG features disclosure and the possibility to provide specific metric that permits measurement of the ESG features separately from the basic lending instrument.

1. THE FRAMEWORK AND THE LITERATURE

The accounting treatment of environmental, social, and governance (ESG) features joined with a financial instrument or an insurance contract constitutes today an important topic of discussion. International Financial Reporting Standards (IFRS) 9 doesn't provide an explicit way to evaluate financial instruments that considers ESG factors as IFRS 17 doesn't consider in an explicit way the ESG features and their impact on insurance contracts.

This situation creates a deep debate referring to:

- the possibility of a financial instrument with an ESG factor to pass the solely payments of principal and interest (SPPI) test following the current IFRS standard;
- if the ESG feature should be considered separately;
- if the ESG feature cannot be separated because of the minimum impact on future cash flows;
- if the ESG feature may be considered as part of credit risk or of profit margin.

The different solution adopted may influence the presentation of the instruments and their economic impact on financial statements with a lack of comparability between entities on an aspect that is becoming day after day ever more important in the investment decision-making processes.

The debate is not only present in Europe but also in the US.

The Sustainability Accounting Standard Board (SASB) in some of its standards regarding the financial sector affirms the necessity to incorporate environmental, social and governance factors in credit risk analysis and the joined qualitative and quantitative disclosure: "*ESG trends include, but not limited to, climate change, natural resource constraints, human capital risks and opportunities and cybersecurity risk*" (SASB, 2018, para. 7.1).

Some papers examined the question from another point of view considering the impact of ESG disclosure and of the new standards that emphasize the ESG materiality on the market reactions reaching some interesting conclusions (Schaltegger & Burritt, 2006; Spandel, Schiemann, & Hoepner, 2020; Koroleva, Baggieri, & Nalwanga, 2020; Kumar & Firoz, 2022).

So, if the current accounting standards are not able to define a unique accounting solution for instruments that incorporate ESG factors and these factors are materials for the market which can be the proper solution to present them in the financial statements? Is it necessary or not to separate them from the basic financial instruments?

These are the questions with which this paper would like to contribute to the current debate considering in the response both the general architecture of the accounting standards and the not current homogeneous requirements for non-financial information[1].

2. THE ICMA GUIDELINES IN REPORTING SOCIAL AND GREEN BOND. THE TENTATIVE DECISIONS OF IASB AND THE EFRAG POSITION

Obviously, it is very complex to define an accounting standard when the instruments are not standardized. For this reason, two initiatives of the International Capital Market Association (ICMA) are very interesting: The green bond principles and the social bond principles issued in June 2021 (ICMA, 2021a, 2021b). Both guidelines present the types of green bonds and social bonds existing on the market and give attention to the reporting process. In detail, the issuer should prepare an annual report in which "*transparency is a particular value in communicating the expected and/or achieved impact of project*" (ICMA, 2021a, para. 4, p. 6). The use of qualitative and quantitative indicators and performance measures is encouraged and described in a specific ICMA handbook (ICMA, 2020) and these indicators may be the basis for the evaluation of the impacts of the ESG features on the accounting of the bonds. Obviously, these standards are completely voluntary and these create a non-homogenous basis for the analysis of the proper accounting method.

IASB and EFRAG are doing some important analysis on this topic: IASB in a paper of April 2022 affirms that "*the SSPI requirement is an appropriate basis to determine whether a financial asset with a ESG linked features is measured at amortised cost or fair value through profit or loss*" (IFRS, 2022, para. 32). However, an application guidance that permits a consistent application of SPPI conditions may be useful. This guidance should clarify: the characteristics of basic lending, which variability of cash flows may be considered consistent with the SPPI test, in what way the disclosure could be implemented in the case of existence of ESG factors and how these factors influenced risk.

EFRAG in its comment letter (EFRAG, 2022) to post implementation document on IFRS 9 classification and measurement issued by IASB evidences its willingness to contribute to finding a solution on the ESG features topics in presence of different position of different stakeholders on these topics.

[1] For listed companies an interesting point of reference may be constituted by ICMA (2021a) and ICMA (2021b).

3. THE POSSIBLE SOLUTIONS

A specific analysis carried out from the EFRAG indicates that a financial instrument with common ESG features can only pass the SPPI test, if either:

- The ESG features represent clauses excluded from the SPPI test variability in cash flows being clauses that do not contain leverage and that are related to a non-financial variable specific to the borrower.
- The ESG feature only has a *de minimis* effect on the contractual cash flows. This approach is the most widely used. It moves from the idea that the contractual feature has a '*de minimis'* effect on the contractual cash flows of a financial asset and thus an immaterial impact.
- The ESG feature can be considered a consideration for credit risk consistent with a basic lending arrangement.
- The ESG feature can be considered a part of the profit margin consistent with a basic lending arrangement.
- The ESG feature is to be separated from the basic lending instrument applying a specific accounting policy.

The circumstance that there are different opinions regarding the "if" and "way" a financial instrument can pass the SPPI test, it is evident that the accounting of financial instruments with ESG futures is an accounting priority to face in a short time. EFRAG proposed to solve that issue by introducing specific guidance on ESG-linked financial instruments considering that more guidance and examples could help to drive greater consistency of application.

However, taking into consideration that the amount and the complexity of the financial instruments with ESG futures issued on the financial market have strong development, the EFRAG proposal may be not enough. The current situation is that the volume of financial instruments including ESG features is rapidly increasing with a result that the scale of the issue continues to increase in the lack of a specific IASB accounting rule. The ESG features linked to financial instruments were not present when IFRS 9 was developed and, consequently, there is not any specific guidance to apply.

A regulation based on the different kinds of ESG-linked financial instruments may be an appropriate solution. Following this approach, the IASB may introduce, in a specific section of IFRS 9, the new specific regulation for the different kinds of instruments taking also in consideration their characteristics and the purpose of portraying the economics of the ESG transactions and their difference compared to financial instruments focus only on the typical financial risks.

A compulsory specific disclosure regarding the ESG features represents a put the users in the condition to understand and compare the different instruments issued by the companies.

In addition, the separation of the ESG features from the basic lending instruments may permit to provide also quantitative information, in addition to the specific disclosure to provide in the notes to the financial statements, on the ESG feature encouraging the comparability of the accounting data. This solution would require specific preliminary analysis of the appropriate metrics to measure the different ESG features existing on the market. The result of this analysis would represent an important evolution in the accounting model adopted usable also, for further purposes, in the sustainability reporting.

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COVID-19 PANDEMIC AND ITS IMPACT ON THE ACCOUNTING PROFESSION

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Abstract

The pandemic significantly altered the working environment due to the shift to remote working, redesigned office functions and reengineered working protocols (Parker, 2020). In addition, employee stress levels increased, their autonomy and perception of hierarchy changed and relatedness within organizations was impaired (Delfino & van der Kolk, 2021). While most accounting literature focused mainly on public budgeting, accounting education, financial markets, public sector and corporate disclosure (Rinaldi, 2022) little research has been conducted on the accounting profession per se. Early results suggest that professionals employed in the accounting industry were significantly affected by the COVID-19 pandemic (Carungu, Di Pietra, & Molinary, 2021, Heltzer & Mindtak, 2021, Papadopoulou & Papadopoulou, 2020).

The purpose of this study is to examine the impact of the pandemic on the accounting profession focusing on professionals who provide bookkeeping and taxation services to corporations and individuals. For this purpose, a structured questionnaire consisting of 21 questions, was constructed and distributed to accountants working in Greece. A five-point Likert scale was used to rank and assess most of the questions used in the survey. The questionnaire was sent via e-mail and Viber to 300 randomly selected accountants with a professional entry

on the internet. In total 74 fully completed questionnaires were received with a response rate amounting to 24.66%.

Results of the study indicate that the pandemic had a significant effect on the accounting profession in Greece with the vast majority of the respondents perceiving a negative impact (78.4%). The main factors that complicated accountants' work were suspension of customers' operations and collection of data from them, availability and meetings with public administration and the requirement to comply with tax authority deadlines. Most of the respondents report, due to the pandemic, an increase in their working hours (71.6%) and a significant increase in the level of working stress (81%). The most frequently used means of communication both by the accountants and their customers was a phone, followed by e-mail, while means like teleconference appear to have been used to a limited degree. As far as the web applications developed by the government are concerned, approximately half of them believe that these applications facilitated their work by a high degree and the other half by a little or no degree. Finally, accountants appear to be skeptical and pessimistic about the future as the majority believes that the pandemic will have a long-term impact on their profession.

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SESSION 4: REPORTING AND DISCLOSURE

FIRM IDENTITY AND IMAGE: STRATEGIC INTENT TO ACT SUSTAINABLY AND THE OPPORTUNISTIC ANTECEDENTS TO SUSTAINABILITY REPORTING

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Abstract

This study seeks to examine a firm's likelihood and level of engagement in sustainability-oriented activities as reflected in their sustainability reporting and the extent to which the range of those activities is influenced by how they engage with stakeholders through their vision, mission and values statements.

Combining stakeholder theory, legitimacy theory and the resource-based view of the firm, this study employed probit regression to test various hypotheses related to the relationship between vision, mission or values messaging, the likelihood to engage in sustainability reporting, and the influence of targeting internal or external stakeholders. A sample of 234 large publicly-traded Canadian companies provided 465 observed statements.

Controlling for size and industry vulnerability, the findings of this study indicate that large, publicly-traded companies are more likely to report, and at greater levels, on their sustainable activities when they

message their strategic corporate social responsibility (CSR) intent. However, including external stakeholders in that messaging has a greater effect than the inclusion of internal stakeholders suggesting these firms are more intent on portraying an external sustainable image, rather than creating an internal sustainable identity.

The research is novel in addressing the strategic intent of the firm to act sustainably, as messaged through its vision, mission or values statements, and the level by which it actually monitors and reports on its sustainable activities. Furthermore, comparing the results of including internal or external stakeholders in that messaging to determine whether that intent is related to image or organizational identity provides additional originality and value.

While reputation is a valuable intangible resource (Spear, 2017), it is not directly controlled by the corporation but is affected by organizational action and communications, takes time to be developed and is also uniquely affected by stakeholder perception. By discussing how creating legitimacy in the eyes of critical stakeholders enhances an organization's reputation which is a critical resource, we provide suggestions to managers about the importance of matching their public statements and their actions while communicating with their critical stakeholders. Moreover, our results have an economic significance too as firms that have gained legitimacy in the eyes of their stakeholders are able to better access financing, critical human resources and consumer loyalty (Ali, Frynas, & Mahmood, 2017; Seuring & Gold, 2013).

Academic Implications - We make three contributions to existing research. First, we advance the broader literature concerned with understanding whether public statements on CSR by an organization matches their subsequent actions or are simply a way for them to impress their stakeholders by saying the right things. Second, it is the number and diversity of initiatives that cover all three pillars of sustainability that indicate the extent of their commitment to sustainability and unlike past research, we go beyond organizational characteristics to predict organizational commitment to sustainability. Finally, this paper contributes to the call for research that examines sustainability as a unique domain of business research (Balmer & Podner, 2021; Carroll, 2015) and provides further insight and empirical validation about how engaging in sustainability allows organizations to increase their reputation, an intangible resource which is not easily imitable and which in turn furthers their access to other critical resources (Barney, 1991) controlled by their stakeholders.

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THE EFFECTS OF REGULATION ON SOCIAL AND ENVIRONMENTAL REPORTING

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Abstract

The last decade has been characterized by a strong push by institutions in the release of non-financial disclosures, with Directive 2014/95/EU and the Paris Agreements, where the former requires socio-environmental disclosure to be mandatory for certain companies, while the latter defines targets for the reduction of global warming. Socio-environmental communication is the primary means to convey information regarding one's achievements in decarbonization and greenhouse gas (GHG) emission reduction, which is why our study decided to explore the possible increase in non-financial disclosure released in integrated reports. In addition to this, based on the theory of institutions (Weber, 1922; Selznick, 1949; Parsons, 1990), in which regulating specific actions using rules leads to a process of homologation of the actors present.

Currently, the general idea of institutions is to improve socio-environmental communication by standardizing it. However, skepticism remains about the functionality of such a process, which can conceivably create problems. Thus, the main question remains, the regulatory process is useful to stimulate the release of socio-environmental information, but what are the real effects of this process in a context

where the external environment already forces the release of voluntary information?

Based on these issues, the study aims to analyze the real impact of the institutional intervention on social and environmental reporting. It makes use of established institutionalist and neo-institutionalist theories; Weber (1922) stresses the duality between the usefulness of standards and the depersonalization of actors, which Parsons (1990) also emphasizes through isomorphism. From this assumption, we can infer that there is a renewed interest in socio-environmental issues and a possible process of homologation of the actors involved, so our first research questions will be:

RQ1: Has an interest in socio-environmental issues grown?

RQ2: Has there been a process of standardization of actors?

On the other hand, Selznick (1949) emphasizes the destructive effects of external interventions, with the recent development of theory placing importance on leadership. For this reason, this study also tries to analyze the qualitative effects of the process:

RQ3: What effect has this had on the quality of information?

The study focuses on the oil & gas sector, analyzing the integrated reports of four European companies from 2011 to 2019, purged of the economic-financial part, with a content analysis on the integrated reports, divided into several methodologies. The first part of the analysis is descriptive and analyses the frequency of specific keywords to ascertain the actual increase of interest of companies in these issues; then analysis was made on the preferences of companies in the use of keywords to highlight a homologation trend, and finally, an analysis on the N-gram network to analyze the direction of the use of keywords in financial statements. Subsequently, to strengthen the evidence of the descriptive analysis, an inferential analysis was carried out, using the same methodology for each hypothesis made; this analysis is known as late semantic analysis (LSA). This analysis succeeds in transforming the documents into a projected point on a Cartesian plane; the projected points show the semantic content of the document; for this reason, the closer the points are to each other, the more similar the documents are. The first analysis compares firms as a sector by projecting reports on the plane for years; we added several documents dealing with the climate issue (dictionaries). The second analysis investigates a possible homologation process by comparing individual company reports on the floor each year. In the last phase, we analyzed a potential increase in quality. To do so, we used a study by the University of Zurich, in collaboration with the Google research center, which undertakes to evaluate all documents dealing with socio-environmental issues by giving them a negative or positive bias according to their content, then we turned them into points and compared them with the financial statements of our companies. Given the considerable amount of projected documents, we used quantities derived from the LSA. To be precise, we used the cosine between our documents and those extracted from the cluster; the cosine can take a value between 0 and 1, and the closer it is to unity, the more quality there is in the communication released; we also carried out keyword analysis, using the average distance between the points, trying to determine a possible negative trend for a particular topic.

The first result that is highlighted by our analysis is the growth of socio-environmental information in the financial statements; this trivial result becomes interesting as we notice an exponential growth in the years 2014/2015/2016 that then decreases in the following years; this is also corroborated by the inferential analysis in which the reports concerned are very similar to dictionaries. We can also exclude a homologation process as there is a different trend in the use of keywords by the companies. Moreover, the LSA analysis shows a substantial difference between the reports of the groups under investigation. From the qualitative point of view, we can detect a slight increase in quality, both seen by the groupings of words through the N-gram network, in which we compare the first and the last year, and there is a substantial difference in approach. The cosine measurement also increases over the years, for each topic slightly, except for one company which still had higher average values than the others.

This research relates the effects of institutional impetus in the release of non-financial disclosures, drawing on institutional and neo-institutional theories for the first time. By analyzing a sector that was already releasing a lot of disclosures voluntarily and showing that this process of institutionalization of disclosures did not lead to a homogenization of results, although to a progressive increase in quality.

From a theoretical point of view, the research attempts to analyze the effects of the work of institutions on social and environmental communication. The problem that arises is making all communication similar and not making the reader able to distinguish good from bad (Akerlof, 1970). At the moment, making only the communication mandatory, leaving the mode of communication voluntary, still makes the social will of companies recognizable. But what will a future tightening lead to? Is it essential to standardize communication in all its forms?

It remains possible that the results obtained are unrelated to institutional pressure as, in this study, we did not take into account the stress of institutional investors that could have had a positive effect on the quality of disclosure, and we did not take into account the lack of a framework for the release of such disclosure that reinforces the voluntary part to the detriment of the mandatory one. In addition, the work takes into account an industry that is strongly influenced by non-financial disclosure and large companies. Given these specific characteristics, the study should also be extended to companies that are not industry leaders and operate in sectors with less pressure.

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CIRCULAR ECONOMY DISCLOSURE BY AGRI-FOOD COMPANIES

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Abstract

Circular economy (CE) is a model adopted by companies aimed at reducing, reusing, recycling resources and reducing consumption (Pearce & Turner, 1990). In their review of 114 CE definitions, Kirchherr et al. (2017) found that the recurrent components are: reduce, reuse and recycle, followed by recover (4R dimensions). Ellen MacArthur Foundation (EMF) (2015) provided the most used CE definition, intended as an industrial system that aims to regenerate. In detail, CE favours the value maximization in each part of the product's life (Stahel, 2016) and the achievement of closed-loop resource flow (Geng & Doberstein, 2008), changing waste into resource (Witjes & Lozano, 2016) and increasing the resource use efficiency (Ghisellini, Cialani, & Ulgiati, 2016). Over the years, many authors focused their attention on this topic, by conducting review studies (Ghisellini et al., 2016; Andersen, 2007), or investigating closed-loop value and supply chains within companies (Lüdeke-Freund, Carroux, Joyce, Massa, & Breuer, 2018) and their relation with sustainable business models (Pieroni, McAloone, & Pigosso, 2019; Geissdoerfer, Vladimirova, & Evans, 2018). According to Moraga et al. (2019), the concept of CE does not refer exclusively to material preservation through strategies like recycling, but it also includes the impacts of the companies' activities on the environment, society and economy (Elkington, 1994).

For many years, CE has been intended as an approach to implement for improving waste management (Ghisellini et al., 2016). Therefore, CE is considered also a tool useful to achieve sustainable development goals (SDGs) (Schroeder, Anggraeni, & Weber, 2019; Rashid, 2013), especially with respect to the environmental dimension (Kristensen & Mosgaard, 2020; Geissdoerfer, Savaget, Bocken, & Hultink, 2017). However, CE is not specifically mentioned in the SDG context. CE practices and principles are crosscutting, so they can support many companies to pursue specific SDGs (Schroeder et al., 2019). For example, CE can improve the achievement of SDG 8 (target 8.4), promoting sustained, inclusive and sustainable economic growth, full and productive employment and decorous work for all, and 9 (target 9.4), reducing CO2 emission, improving resource efficiency, as well as increasing supply chain and resource security. CE is also closely related to SDG 12, favouring the development of CE business models for products such as closing loops and using renewable energy. Several studies have investigated the relationship between CE and SDGs (Di Vaio, Hasan, Palladino, & Hassan, 2022; Velasco-Muñoz, Mendoza, Aznar-Sánchez, & Gallego-Schmid, 2021; Donner, Gohier, & de Vries, 2020; Teigiserova, Hamelin, & Thomsen, 2020; Van Zanten, Van Ittersum, & De Boer, 2019; Jurgilevich et al., 2016), conducting the literature review.

CE issues also attracted the attention of policymakers (for a complete analysis of CE policies issued see Friant, Vermeulen, and Salomone, 2021). Germany has been a pioneer in this field, integrating CE into national law in 1996 with the closed substance cycle and waste management act (Geissdoerfer et al., 2017). In December 2015, the European Commission adopted a CE Action Plan to make the European Union more sustainable (European Commission, 2019), by maximising the use of resources and minimising waste (European Commission, 2015). In a similar vein, in 2016 Italy issued Law No. 116/16 aiming at reducing food waste by introducing CE paradigm. Recently, Italian legislator issued the National Recovery and Resilience Plan (PNRR) to ensure the revival of the country's economy, post pandemic, and to achieve green and digital development. Mission 2 of PNRR provided 2.1 billion resources to improve the country's capacity for efficient and sustainable waste management and introduce the CE paradigm.

In this context, the adoption of sustainable business models represents a significant competitive advantage for companies (Porter & Kramer, 2011), favoring the decrease of resource waste effectively and efficiently (Bocken, de Pauw, Bakker, & van der Grinten, 2016; den Hollander & Bakker, 2016). In particular, companies should implement CE business models (Bocken, Short, Rana, & Evans, 2014), by rethinking how they generate and distribute value in a sustainable way (Lozano-Lunar, Barbudo, Fernández, & Jiménez, 2020; Urbinati, Chiaroni, & Chiesa, 2017).

Companies adopting CE business models need to communicate the actions implemented, such as their results and impacts, to external stakeholders, in order to increase their legitimacy and consensus (European Commission, 2021; Stewart & Niero, 2018; Lock & Seele, 2016; de Colle, Henriques, & Sarasvathy, 2014; Mahoney, Thorne, Cecil, & LaGore, 2013). However, although the requirement of Directive 2014/95/EU to disclose environmental information is effective by 2017 fiscal year for bigger companies, there are few reporting guidances mentioning CE (Opferkuch, Caeiro, Salomone, & Ramos, 2021). Moreover, the existing reporting guidance, such as Global Reporting Initiative (GRI) standards, is vague and does not provide detailed suggestions of CE information. As noted by the GRI (2019) there is an information gap in the CE business model. In their review on CE disclosure within sustainability reports, Opferkuch et al. (2021) found that little research focused on CE business models implemented by companies and that CE is not a central issue disclosed by companies in their sustainability reports. For previous reasons, the authors highlighted the need to explore the reporting practices of companies with respect to CE information.

This study responds to this call for research by investigating the CE information released by all agri-food Italian listed companies after the implementation of SDGs and Directive 2014/95/EU, in order to understand how companies incorporate CE in their business models to achieve sustainability. To achieve this aim, we content analysed the sustainability reports drawn up according to Directive 2014/95/EU.

We analysed the food industry because this sector presents greater potential in applying the CE paradigm, considering its strong environmental impact (Raimo, de Nuccio, Giakoumelou, Petruzzella, & Vitolla, 2021). More specifically, the implementation of CE can favour waste reduction (Fiandrino, Busso, & Vrontis, 2019). This research specifically focuses on the Italian food industry, considering that waste reduction is a theme of great interest in Italy. As previously discussed, Law No. 116/16 aims at reducing food waste by introducing the CE paradigm and a specific component of Mission 2 of PNRR specifically focuses on sustainable agriculture and CE.

The findings reveal that companies disclose little information on CE. The majority of CE information released concerns the "reduce" dimension. Fewer data are provided on the "recover", "recycle" and "reuse" dimensions. In addition, almost all sentences are qualitative, non-financial and referred to the present. The findings reveal that nowadays CE is not a central issue disclosed in the sustainability reports.

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NON-FINANCIAL REPORTING AND CITIZEN ENGAGEMENT IN PUBLIC SECTOR: A STRUCTURED LITERATURE REVIEW

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Abstract

In order to make informed decisions in the public sector, citizens need to access the financial statements in a legible and intelligible form and, at the same time, they need to know non-financial information, such as information on public service performance and public policy results. More in general, information on financial, environmental and social issues has become progressively more important over the last decade (Greiling, Traxler, & Stötzer, 2015; Peña & Jorge, 2019; Argento, Grossi, Persson, & Vingren, 2019), as it has become increasingly evident that traditional financial documents are able to provide only a partial view of the overall organizational performance (Montesinos & Brusca, 2019).

Indeed, despite the change in the nature and functions of public accounting systems, which almost everywhere are undergoing a transition from cash-based systems with the exclusive function of authorizing public spending towards accrual-based systems with a better external accountability function, the complexity of reading accounting documents from the citizen remains remarkable. That is, the citizen is generally unable to use this information to feed his own decision-making processes. Annual reports are more and more documents reserved for "insiders" and they have built a barrier to the widespread dissemination of information (Sannino, Tartaglia Polcini, Agliata, & Aversano, 2019; Steccolini, 2004). Citizens without specific technical knowledge are

unable to understand data included in the annual report (Jones, Scott, Kimbro, & Ingram, 1985; Daniels & Daniels, 1991; Steccolini, 2004).

These issues have become of crucial importance in the new public management context, where public sector organizations' reporting has been impacted by the need for accountability and transparency (Williams, Lodhia, Arora, & McManus, 2021; Bartocci & Picciaia, 2013; Hood, 1995; Almqvist, Grossi, van Helden, & Reichard, 2013; Parker & Gould, 1999; Martin & Kloot, 2001; Guthrie & Farneti, 2008; Greiling et al., 2015; Ball, Grubnic, & Birchall, 2014; Veltri & Silvestri, 2015; Biondi & Bracci, 2018; Osborne, 2018). To promote accountability and transparency of the public sector, satisfying citizens' information needs (Osborne, Radnor, & Nasi, 2013; Sicilia, Guarini, Sancino, Andreani, & Ruffini, 2016) and improving their decision making (Coy, Dixon, Buchanan, & Tower, 1997; Lawrence, Alam, Northcott, & Lowe, 1997), it is essential both financial and non-financial information (Cormier & Gordon, 2001; Ahmed Haji & Anifowose, 2017). Indeed, communication and transparency in financial data is a way through which public sector organizations can get closer to their citizens and encourage them to participate in collective decision making (Styles & Tennyson, 2007; Kloby, 2009; Marcuccio & Steccolini, 2009; Cuadrado-Ballesteros, Santis, Citro, & Bisogno, 2019; Biancone, Secinaro, & Brescia, 2016; Cohen, Mamakou, & Karatzimas, 2017).

Similarly, this is also true for non-financial information. Studies of "incremental information theory" argued that socio-environmental reporting plays an additional information role compared to the financial report, useful for overcoming the information asymmetries suffered by stakeholders and facilitating their control over organization activities (Grossi, Papenfuß, & Tremblay, 2015; Baginski, Hassell, & Kimbrough, 2004; Biondi & Bracci, 2018); while it is worth mentioning that even non-financial reporting suffers from structural limitations that prevent it from fully exploiting its potential (Pollifroni, 2007; Migliaccio, 2010; Puddu et al., 2014). On the other hand, precisely this informative role is contested by the "impression management theory", which doubts the concrete usefulness of the voluntary report. Similarly, this is also true for simplified reporting. Subsequently, some scholars believe new accounting and reporting approach needs to involve stakeholders (Thomson & Bebbington, 2004; Lee, 2006; Grossi, Biancone, Secinaro, & Brescia, 2021) and ensure transparency and more information (Biancone, Secinaro, Brescia, & Iannaci, 2018).

In this scenario, while conceptual discussion appears to dominate the existing non-financial reporting and simplified reporting in public sector literature, research appears fragmented when moving to the citizens' engagement. Therefore, we consider it useful to offer, through a structured literature review, an overview of: 1) how the literature has dealt with the relationship between various types of non-financial reports of the public sector organizations and citizens' engagement; 2) whether the literature has addressed issue of which non-financial reporting formats foster citizen engagement; and 3) identifying by existing literature which public sector organizations adopt which types of reports.

We selected only research articles published from January 1990 to the date of querying the database for research, with peer review and written in English. We made these choices 1) to offer an overview of the literature of the highest academic level and 2) to observe the trends in the literature towards the issue of the first guidelines on non-financial reporting (GASB in 1994, GRI in 1997 and AccountAbility 1000 in 1999). These standards were issued for companies operating in the private sector; however, they can also be used by the public sector. Finally, we decided to include papers published until mentioned date, due to their contribution to the enrichment and advancement of literature. However, no considerations can be made about the citation index and the bibliometric impact on the articles published more recently.

First, we analysed the article selected by performing a bibliometric analysis using the R Bibliometrix software (Aria & Cuccurullo, 2017). Subsequently, we content analysed the articles selected using an analytical framework developed by the authors and based on the criteria defined by several authors (Orlikowski & Baroudi, 1991; Chen & Hirschheim, 2004; Dwivedi & Kuljis, 2008).

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SUSTAINABILITY REPORTING: THE WAY TO STANDARDIZED REPORTING ACCORDING TO THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE IN GERMANY

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Abstract

The importance of sustainability is increasing in society as well as in the corporate environment. To force companies to deal with the topic in greater detail, the European Commission has revised the directive that regulates this reporting. This new version is to be mandatory from 2024 for reports on the 2023 business year. For this reason, companies must urgently deal with the increased requirements and implement them, because studies show that companies are not yet really well prepared for the innovations.

1. INTRODUCTION

There is currently no way around the issues of climate change and sustainability, and experts agree that global warming and the associated climate change must be combated. To achieve this goal, the EU Commission has taken up the issue and has already passed some directives in the past under the heading of the "Green Deal". One of these directives is the Corporate Social Responsibility Directive, which should, among other things, bring the idea of sustainability to companies. This directive has now been further improved and concretized in the course of the last two years. The Corporate Sustainability Reporting Directive (CSRD) was created, which creates a reporting obligation for sustainability in companies and which is to be applied for the first time for the 2023 business year (European Commission, 2021; Lanfermann & Scheid, 2021; Müller & Reinke, 2022; Müller, Scheid, & Baumüller, 2021).

Within the framework of this new directive, companies must now address the issue of sustainability in even greater detail and prepare a standardized annual sustainability report to replace the previous non-financial report (Lanfermann & Scheid, 2021). This poses new challenges for companies, as the associated processes and information must first be created in some cases. In addition, companies have to realize that climate change creates significantly more risks, but also opportunities than they have been willing to admit so far (Richter & Meyer, 2021).

2. CHANGES DUE TO THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE

The implementation of the CSRD will increase the number of reporting companies and the requirements for sustainability reporting (Lanfermann & Scheid, 2021). In the future, all companies listed on a regulated market in the EU will have to prepare and publish a sustainability report, regardless of whether they are based in the EU or not. In addition, all large corporations and partnerships, as well as insurance companies, credit institutions and companies subjected to group accounting, will be affected by the CSRD, regardless of their capital market orientation (European Commission, 2021; Lanfermann & Scheid, 2021). The same applies to small and medium-sized companies with a capital market orientation (Deloitte, 2021).

Compared to the previous corporate sustainability reporting (CSR) guideline, companies are to provide significantly more detailed quantitative and qualitative information after the CSRD comes into force. However, the aspects of the environment, employee concerns, compliance, social affairs, and respect for human rights, which are reportable under the CSR guideline, will remain reportable after the introduction of the CSRD (Zülich, Schneider, & Thun, 2021). Specifically, the application of the CSRD means that companies must disclose information about their business model, business strategies, and sustainability goals. The same applies to the presentation of the role of the supervisory board and the board of directors in the area of sustainability, as well as the disclosure of significant negative impacts related to the company's value chain, which can occur at any stage of the value chain (Deloitte, 2021).

Furthermore, companies should report on implemented concepts, due diligence mechanisms as well as risks and non-financial performance indicators (Müller & Reinke, 2022). Finally, companies should also describe their materiality analysis in more detail, showing how the information to be reported was determined. In this context, companies must also continue to disclose when information is omitted, including an explanation of why the information was omitted (Müller et al., 2021).

Another innovation in the content of the report is the increased reference to the future with which the information is to be provided. This means that a distinction must be made between short-, medium- and long-term time horizons (Lanfermann & Scheid, 2021; Müller & Reinke, 2022). In addition, both perspectives of dual materiality need to be covered (Müller & Reinke, 2022; Zülich et al., 2021).

The sustainability information to be reported should be regulated uniformly throughout Europe through the development of a binding standard (Lanfermann & Scheid, 2021; Richter & Meyer, 2021). In addition, the report should be included in the management report and be subject to an external audit (Richter & Meyer, 2021; Deloitte, 2021).

3. STATUS OF SUSTAINABILITY REPORTING IN GERMANY

3.1. Location of the report

One of the most significant changes brought about by the CSRD will be the mandatory publication of information in the management report. Currently, companies are allowed to determine the location of their report or non-financial statement themselves. So far, the separate non-financial report is the companies' favorite (Accounting Standards Committee of Germany, 2021; Richter et al., 2021). However, in the 2020 financial year, 35% of the companies listed on the DAX already disclosed their non-financial statement in the management report and thus already fulfil the requirements of the CSRD (Zülich et al., 2021).

3.2. Content of sustainability reporting

The majority of companies report on the five minimum aspects required by the CSR guideline: environmental, social, employee, human rights, anti-corruption, and anti-bribery/compliance. In the sample of the Accounting Standards Committee of Germany (2021), almost all companies report on the required topics and in some cases even more. Many companies also provide, if the data situation allows, key figures that clarify and specify their information on the above-mentioned aspects. This is particularly the case in the area of environmental and employee concerns (Deutsches Global Compact Netzwerk, 2018).

3.3. Business model disclosures

Even before the implementation of the CSR guideline, companies in Germany were obliged to provide information on their business model in their management report. This is prescribed by § 289 para. 1 *Handelsgesetzbuch* (Commercial Code). For this reason, it is not surprising that in 2018 85% of companies included this content in their non-financial statement with a reference to this very management report (PricewaterhouseCoopers, 2018).

3.4. Dealing with non-financial risks

Since the introduction of the CSR guideline, all material non-financial risks are reportable and must therefore be included in the sustainability report or non-financial statement. However, it is up to the individual company to define which risks they consider material, so it is hardly surprising that by no means all non-financial risks are reported (Accounting Standards Committee of Germany, 2021; Richter et al., 2021; Deutsches Global Compact Netzwerk, 2018). Between 2017 and 2019, the number of non-financial risks reported has increased. Risk reporting is particularly present in the area of anti-corruption and anti-bribery, as well as in employee concerns, while the other topics are increasingly being expanded (Accounting Standards Committee of Germany, 2021).

3.5. Use of frameworks

To achieve standardized reporting, the European Commission is focusing on the development of a mandatory European standard, building on current standards such as those of the global reporting initiative (GRI) (Lanfermann & Scheid, 2021; Richter & Meyer, 2021). The 2018 studies here indicate that, depending on the sample, 20% to 30% do not use a framework to prepare their non-financial statement or sustainability report. The remaining 70% to 80% use the standards of the GRI or the German Sustainability Code (DNK) (Deutsches Global Compact Netzwerk, 2018; PricewaterhouseCoopers, 2018).

More recent studies also report that about two-thirds to three-quarters of the companies in the respective samples use a framework when preparing their report. Even in these samples, the GRI dominates as the leading standard (Zülich et al., 2021; Accounting Standards Committee of Germany, 2021; Richter et al., 2021).

3.6. External audit

In connection with the audit of the non-financial statement, which is not yet mandatory, a similar picture emerges compared to the previous chapter, because here too many of the companies considered are already CSRD-compliant and have their report externally audited. In the majority of cases, about 80%, of the external audit is done with limited assurance (Deutsches Global Compact Netzwerk, 2018; PricewaterhouseCoopers, 2018).

3.7. Materiality understanding

In the non-financial statement itself, information on the company's understanding of materiality is not prescribed, but a large majority of companies nevertheless inform their stakeholders about their considerations and methods applied in this context (Deutsches Global Compact Netzwerk, 2018; PricewaterhouseCoopers, 2018). The definition of materiality used in this context varies, however, as both the definition of the GRI, from the CSR guideline implementation act or others are described (Accounting Standards Committee of Germany, 2021; Deutsches Global Compact Netzwerk, 2018).

3.8. Information on target figures

The non-financial statements of the companies are currently rather unclear concerning the concrete goals they are striving for. Less than half of the companies in the sample of the Accounting Standards Committee of Germany report quantitative targets (Accounting Standards Committee of Germany, 2021). In this context, the majority of companies use the presentation of qualitative targets in their report (PricewaterhouseCoopers, 2018). Concrete information on the time horizon of these targets or target-performance comparisons is rather rare here. Furthermore, differences can also be observed between the individual contents of the report in the presentation of the goals. For example, the aspects "environmental concerns" and "employee concerns" are often dealt with and presented in more detail than the other aspects. However, an improvement in the quality of the report and the level of detail in the content can also be observed over time between 2017 and 2019 (Accounting Standards Committee of Germany, 2021).

4. RESULTS

The studies examined show that companies still have some work ahead of them to achieve CSRD conformity, because currently, for example, only about 10% of the companies listed on the DAX meet the requirements of the Corporate Sustainability Reporting Directive. Currently, the reporting landscape in the area of corporate social responsibility is very heterogeneous, which makes it almost impossible to compare reports. However, there is also clear potential to develop in the right direction, namely towards the CSRD. However, this does not change the fact that most companies still have a long way to go and a sometimes very time-consuming conversion process ahead of them. What is positive, however, is that they are already working step by step to improve their reporting by improving the quality and making adjustments in the direction of CSRD conformity.

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SESSION 5: FAMILY FIRM GOVERNANCE

FAMILY OFFICES AS A NEW FORM OF FAMILY BUSINESS GOVERNANCE

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Abstract

Family firms form the majority of companies in almost every country in the world. The organization of the founding families, however, does not play a big role in corporate governance theory and practice. German family firms have created a relatively new form of family firm governance and organization: the family office. This specific form of organization deals with family organization, financial assets, and general family consulting.

1. HISTORY

The beginnings of family offices can be traced back to the sixth century. The so-called "mayor" acted as an interface between noble families and external service providers (Dimler & Theil, 2018, p. 135). In addition, the mayor was also responsible for the management and development of the family assets. Asset management was carried out in the interests of the noble families (Brückner, 2016, p. 212).

With the founding of the House of Morgan in 1838, the first classic single-family office was created by the Morgan business dynasty in the USA (Dimler & Theil, 2018, p. 135). The family office later also managed the fortunes of the Vanderbilts, Guggenheims, and Du Ponts. Thus, over time, the House of Morgan transformed itself into a multi-family office (Gaul, 2017, p. 104). In 1882, oil billionaire John Davison Rockefeller also developed a central unit of experts to manage the family's assets. Today, this would also be called a single-family office. At that time, however, these terms did not exist (Brodtmann, 2018, p. 83).

Industrialization and the resulting prosperity led to the establishment of a large number of family offices in the 19th century, in addition to the examples mentioned above. Due to the economic depression, family offices receded into the background again in the 20th century and lost importance. It was not until the 1980s, when prosperity returned to the USA, that family offices again became the focus of interest. Family offices then leaped Germany in the 1990s, when prosperity was generated by decisive developments in the technology sector. The development of family offices can thus be observed in parallel with economic cycles (Schaubach, 2019, p. 322).

Influenced by the 2008 financial crisis and a persistent low-interest-rate policy, wealthy families have increasingly turned away from traditional banks in recent years (Holler, 2017, p. 39). As a result, interest in family offices has risen sharply and the family office market has experienced strong growth in recent years (Brodtmann, 2018, p. 83).

2. TYPES

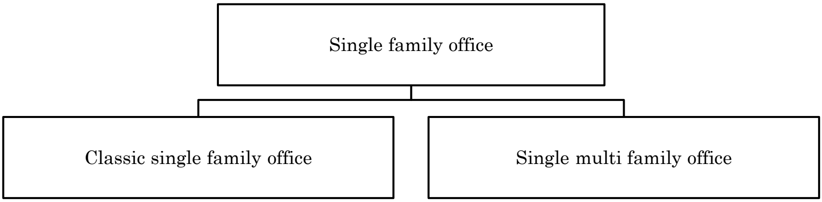
Family offices can be divided into two main groups:

Single-family offices are dedicated exclusively to the concerns of a single asset owner or family and often operate discreetly in the background. As a rule, single-family offices are founded by the asset owner himself (Bornmüller & Grossmann, 2011, p. 27). As a result, there is a high degree of dependence on the owner's family, and the orientation of the single-family office is tailored to their wishes. However, all costs must be borne by the owner's family. Therefore, a single-family office is only suitable for substantial assets (Freiherr von Oppenheim, 2008, p. 176).

Multi-family offices, on the other hand, manage the assets of multiple asset owners. Services are provided to all potential clients, although the client group may change from time to time (Bornmüller & Grossmann, 2011, p. 27). By pooling resources, greater efficiencies can be achieved and costs to asset owners are significantly lower compared to a single-family office. In addition, the range of services is generally broader than in single-family offices, as experts can be deployed for a wide range of topics and a broad network exists (Freiherr von Oppenheim, 2008, p. 177).

Within the typology of single and multi-family offices, there are further subcategories. These are shown and explained below:

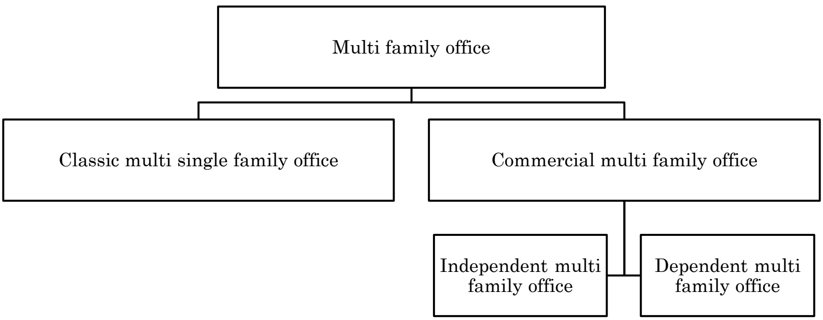
Figure 1. Subcategories of single-family offices



Source: Canessa, Escher, Koeberle-Schmid, Preller, and Weber (2016b, p. 42).

The classic single-family office is founded by a family and exclusively manages their assets. The owner is the family. The single multi-family office manages the assets of several families. However, unlike multi-family offices, it does not accept non-family mandates. Both subcategories can exist without the family business, alongside the family business, or integrated as part of the family business (Canessa et al., 2016b, p. 42).

Figure 2. Subcategories of multi-family offices



Source: Canessa et al. (2016b, p. 42).

The classic multi single-family office is owned by multiple families and manages the assets of the owning families jointly. Additional families may be subsequently integrated as shareholders. The management can be carried out either by the owner families themselves or by an externally contracted manager.

Commercial multi-family offices are suitable for families who wish to join a family office as a client without becoming (part) owners of the office. An independent multi-family office is owner-managed by the founding families or a non-family founder and is independent of banks. A dependent multi-family office is usually a subsidiary or a division of a financial services provider, which is also the owner of the dependent family office. However, it is questionable whether a dependent family office acts independently and exclusively in the interest of the asset owner in the sense of the definition of family offices or whether its profit maximization is in the foreground (Canessa et al., 2016b, p. 44).

Occasionally, commercial multi-family offices are also referred to as corporate family offices (Freiherr von Oppenheim, 2008, p. 177).

3. SCOPE OF SERVICES

There is no generally accepted definition of family offices, and the term is not protected by law (Rosplock, 2014; Bornmüller & Grossmann, 2011, p. 25; Dimler & Theil, 2018, p. 136). The scope of services provided by family offices, therefore, varies widely. The public perception that family offices are exclusively a family secretariat is generally not true. Although they also perform administrative tasks for families, family offices are usually viewed as professional asset managers. While some family offices actively manage securities portfolios, others limit themselves to selecting professional external asset managers or negotiating good terms with them (Canessa, Escher, Koeberle-Schmid, Preller, & Weber, 2016a, p. 6). An empirical study by UBS confirms this. It shows that 90% of strategic asset allocation and 83% of risk management, respectively, are performed by the family office itself, while 74% of investment activities and securities portfolio management are outsourced (UBS, 2021, p. 38).

According to an empirical study by Schaubach (2011), in addition to the aforementioned liquidity and securities management, insurance management, investment property management, tax advice, and corporate governance are also relevant. In some cases, the management of art and consumer goods can also be found. In addition to the financial asset services described above, some family offices are also active in the area of human and social assets. For the development of human assets, in some cases schooling, studies or internships are arranged and health services are recommended. In the area of social wealth, preparation for assuming family responsibilities and mediation of family disputes are recommended (Schaubach, 2011, p. 266).

Despite the very different services provided by family offices, what they all have in common is that they act as a central point of contact for all issues relating to family assets in a continuous cycle of analysis, consulting, and controlling (Bornmüller & Grossmann, 2011, p. 31). A family office always acts in the family's best interests and exclusively represents their interests. The aim is to increase the family's value chain and not that of the provider. Compared to large asset managers, the focus there is often on maximizing the family's success in the placement of its products, which can lead to a conflict of interest with the family's goals. Indeed, large asset managers and banks occasionally consider establishing their own family offices. However, this is conflict-prone for the reasons mentioned above (Schaubach, 2019, p. 329; Brückner, 2016, p. 213).

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FAMILY OWNERSHIP AND M&AS: A SYSTEMATIC REVIEW OF THE LAST TWO DECADES

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Abstract

Strategic decision-making in family firms tends to prioritize the maintenance of family control and long-term investments relative to short-term opportunities. At the same time, however, family firms usually demonstrate a low appetite for risk. In view of its multifaceted and contradictory value as a means for corporate growth and as a driver of corporate risk, mergers and acquisitions (M&As) have been at the core of multiple scholarly conversations on family firms. This study offers a systematic literature review of the last two decades of academic studies on M&As in the context of family firms.

1. INTRODUCTION

The peculiar characteristics of family firms in terms of socio-emotional wealth preservation and maintenance of family control (Worek, De Massis, Wright, & Veider, 2018) have implications on corporate expansion decisions such as mergers and acquisitions. Extensive academic contributions have been produced on acquisition choices and performance in family firms, with a resulting fragmentation of extant literature. This research, therefore, aims at systematizing our knowledge on corporate acquisitions by family firms.

ABI/Inform Complete and Science Direct/Scopus were used as sources for the selection of articles. Articles were selected based on the following keywords in either the title or the abstract: "family business", "family firm", "family own*" and "family enterprise", combined with "M&A", "acquisition", "merger and acquisition". Only journal papers were selected, thus excluding books, book chapters, and conference papers. Articles for which the full text was not available were excluded. By carefully scrutinizing the abstracts, a final sample of 30 journal papers published in the 2000–2021 period was analyzed.

2. THEMATIC ANALYSIS

In terms of acquisition propensity, empirical findings seem to agree that family businesses are less likely to engage in M&A activity compared to non-family firms, mainly for their different growth preferences (Caprio, Croci, & Del Giudice, 2011). Results on the role played by family ownership on M&A performance are contradictory and range from positive (André, Ben-Amar, & Saadi, 2014; Basu, Dimitrova, & Paeglis, 2009), negative (Gleason, Pennathur, & Wiggenhorn, 2014; Bauguess & Stagemoller, 2008), and non-significant effects (Miller, Le Breton-Miller, & Lester, 2010). In terms of theoretical frameworks, the selected studies base their analysis on four main theories, namely agency theory, stewardship theory, resource-based view, and socio-emotional wealth.

Regarding the analytical approach, the majority of the studies (86%) use a quantitative method, while only few studies employ a qualitative methodology, based on the analysis of single case studies (Mickelson & Worly, 2003). Finally, one paper is of conceptual nature (Lind & Lattuch, 2021).

3. AVENUES FOR FUTURE RESEARCH AND CONCLUDING REMARKS

This systematic review highlights several research lines that may be examined in the future to further contribute to the ongoing conversations on M&A in family firms. Specifically, three main research avenues may be identified.

First, while most literature has taken a comparative perspective that confronts family vs. non-family firms (Anderson & Reeb, 2003), an increasing interest is emerging on the heterogeneity of family firms (Schmid, Ampenberger, Kaserer, & Achleitner, 2015), as a number of contingency factors may drive the family's risk preferences. Second, with a huge volume of contributions being of quantitative nature, more qualitative research is needed to offer an in-depth analysis of soft aspects involved in acquisition decision-making and the acquisition process.

The role played by the involvement of family owners in the business seems particularly elusive: family owners tend to favor more conservative strategies to limit the risk of firm failure; however, family owners may also be willing to exploit entrepreneurial opportunities and embark on riskier projects to increase the firm's value and competitive advantage (Nguyen, 2011). Thus, future studies may explore the role played by family involvement in determining the firm's risk propensity. As the legal environment is an important factor affecting shareholders' protection and, consequently, both investment decisions and performance, more studies are needed on the role played by the legal system of the country (André et al., 2014).

Overall, this review offers some preliminary efforts in terms of systematizing our knowledge on M&A decisions in the specific context of family firms.

Table 1. Overview of some representative empirical studies (Part 1)

Study	*Thematic focus*	*Sample*	*Main findings*
Bauguess and Stegemoller (2008)	Acquisition performance and propensity	4266 firm-year observations of S&P 500 firms between 1994 and 2005	Family firms destroy value when they acquire. However, firms with large boards and more insiders are more likely to acquire and create value.
Basu et al. (2009)	Acquisition performance	103 acquirers and 118 targets between 1993–2000	Acquirers with low levels of family ownership get lower returns than those with high levels of ownership.
Miller et al. (2010)	Acquisition performance and propensity	Fortune 1000 firms between 1996–2000	Family ownership is negatively associated with the number of acquisitions. The propensity to make diversifying acquisitions increases with the level of family ownership.
Caprio et al. (2011)	Acquisition performance and propensity	777 large Continental European companies in the period 1998–2008	Family ownership is negatively associated with the likelihood of executing acquisitions, especially when the stake held by the family is not large enough to ensure the persistence of family control. No evidence has been found on the effect of the acquisition on the performance of the family firms.
André et al. (2014)	Acquisition performance	215 by Canadian high-tech companies between 1997–2006	There is a positive relationship between family ownership and abnormal returns around the announcement. Founder CEO undertake better high-tech acquisitions than descendant or hired CEOs.
Pazzaglia, Mengoli, and Sapienza (2013)	Acquisition performance	1,254 observations over the period 1995 to 2008	Firms acquired by families through market transactions have lower earnings quality due to lower identification of family owners relative to firms still owned by the founding families.
La Rosa, Bernini, and Mariani (2018)	Acquisition propensity	41 Italian listed companies during 2005–2011	Listed family firms have lower acquisition propensity than non-family firms because of family involvement in ownership and executive committees. Diversifying strategies are less pursued by family firms, and this is underpinned when family ownership increases.

Table 1. Overview of some representative empirical studies (Part 2)

Study	*Thematic focus*	*Sample*	*Main findings*
Gleason et al. (2014)	Acquisition performance	307 acquisitions of family-owned firms over the period 1984–2000	Acquiring companies' returns are negatively affected by acquisitions of public family firms.
Gomez-Mejia, Patel, and Zellweger (2018)	Acquisition propensity	8,485 firm-year observations by 692 firms between 1997 and 2011	Family firms are less likely to acquire and when they do so, they prefer related targets.
Aktas, Centineo, and Croci (2016)	Acquisition propensity	10,031 European firms making acquisitions in the 1990–2013 period	Family firms with high leverage make more cross-industry acquisitions. Family firms that prioritize control tend not to diversify at the expense of minority shareholders.
De Cesari, Gonenc, and Ozkan (2016)	Acquisition propensity	3,219 firm-year observations over the period 2001–2008	There is a positive relationship between acquisitions and the CEO's compensation in non-family firms relative to family firms.
Defrancq, Huyghebaert, and Luypaert (2016)	Acquisition propensity	3,485 in Continental Europe announced in the period 2005–2013	Family-controlled acquirers are less likely to pursue industry-diversifying acquisitions.
Adhikari and Sutton (2016)	Acquisition performance	213 acquisitions in the period 1993–2006	Post-merger performance of family firms is significantly better than that of non-family firms. Family firms have not been found to lose value in diversified acquisitions.
Bettinazzi, Miller, Amore, and Corbetta (2018)	Acquisition propensity	172 deals by Italian firms between 2002–2012	When executing M&As, family firms tend to choose another family-controlled company, thus a firm with similar characteristics.
Ossorio (2019)	Acquisition propensity	270 acquisitions by European family and nonfamily firms in the period 2015–2017	Family firms are less likely to make cross-border acquisitions than non-family firms. In order to pursue external growth strategies, family firms need to hire external managers that are more economically driven than family managers.
Schierstedt, Henn, and Lutz (2020)	Acquisition propensity	404 acquisitions made by 211 German family firms between 2010 and 2016	Family ownership positively impacts the likelihood of diversified acquisitions, but this relationship is weaker in firms with high involvement of family in the management. This effect tends to decrease with the generational transfer through the years.
Issah (2021)	Acquisition performance	4,130 observations from 203 firms in the period 1980–2010	Family firms are better able to utilize acquired resources than non-family firms. Targets acquired during the recovery of a merger wave are more valuable to family firms and associated with more innovation.

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ACQUISITION PROPENSITY IN FAMILY FIRMS: THE MULTIFACETED ROLE OF FAMILY INVOLVEMENT

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Abstract

Building on behavioral agency theory, we explore the role played by corporate governance characteristics of family firms in affecting their acquisition propensity. Specifically, we investigate family members' ownership stake and their appointment to the board of directors as predictors of the likelihood to execute acquisitions. Furthermore, we explore the effect of having a family chief executive officer (CEO) and the generational step. Using a sample of 207 acquisitions executed by 93 Italian listed family firms in the 2014–2020 period, we find evidence that the extent of family ownership does not affect acquisitions propensity. Additionally, while family members on the board are negatively associated with acquisitions, the opposite emerges in case of a family CEO. Finally, the propensity to acquire does not appear to be driven by whether the firm is still in its founding generation or later generations.

1. INTRODUCTION

The relationship between corporate governance and risk preferences shows particular characteristics in the context of family firms, as decision-making is guided by long-term, often non-financial, objectives and the preservation of the firm's socio-emotional endowment

(Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). In this sense, the acquisition decision is especially important and risky for family firms as it carries substantial implications in terms of potential gains and losses in socioemotional wealth (Hussinger & Issah, 2019). Given these controversial pressures, the role played by family ownership and family involvement in guiding acquisition decisions has provided mixed findings and thus offers room for further exploration. This study, therefore, focuses on how family firms' characteristics drive their propensity to acquire.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The involvement of family members in the business directly affects decision-making at multiple levels (Zahra, 2005). The corporate risk profile in family firms may actually be the result of corporate governance characteristics in the executive bodies rather than the mere ownership. Indeed, while family ownership may play an important role in a family vs non-family context, it may be less significant within a family context: family firms, although differing in terms of percentage of family ownership, share to some extent the common condition of being owned by a family and thus are all guided by socioemotional considerations, which thus makes family ownership a less significant driver of family firms' heterogeneity in decision-making. Building on this, we posit the following hypothesis:

H1: Family ownership stake is a non-significant predictor of the likelihood that a family firm will execute an acquisition.

Building on the prior logic, we believe that the board characteristics in terms of family involvement on the board and the presence of a family CEO may be more significant drivers of a family firm's propensity to embark on risky projects such as corporate acquisitions in view of their peculiar roles in terms of active involvement in decision-making. Several studies have suggested that the board characteristics play an important role in shaping family firms' risk profiles. Insiders' risk-taking is driven by several, different factors, such as their total wealth portfolios, pecuniary and non-pecuniary benefits and the potential for entrenchment (Wright, Ferris, Sarin, & Awasthi, 1996). Thus, the appointment of family owners to the board of directors affects the risk faced by firms, driving managers towards risk levels aligned with owners' preferences (Sullivan & Spong, 1998).

Although extant literature suggests that the family component among board members is a characterizing feature relative to other non-family board members (Wilson, Wright, & Scholes, 2013), the current investigation of family members' involvement in the board of directors still offers extensive room for further exploitation (Nordqvist, Marzano, Brenes, Jiménez, & Fonseca-Parades, 2011).

Because family directors mainly focus on maintaining a trade-off between business and family objectives, we hypothesize that greater involvement of family members sitting on the board will be associated with a greater risk aversion in order to preserve the firm socio-emotional endowment. In turn, this implies that a greater presence of family executives will reduce the likelihood that the firm will execute risky investment projects such as corporate acquisitions. We thus posit that:

H2: An increasing family involvement in the board is negatively associated with the likelihood that a family firm will execute an acquisition.

According to the behavioral agency model, family CEOs are willing to take greater risks in order to prevent possible wealth losses and rather avoid risk-taking whenever they need to minimize wealth losses (Larraza-Kintana, Wiseman, Gómez-Mejía, & Welbourne, 2007; Wiseman & Gómez-Mejía, 1998). Thus, the literature seems to suggest that CEOs actually have heterogeneous risk preferences based on their perception of wealth increase vs decrease (Wiseman & Gómez-Mejía, 1998; Martin, Gómez-Mejía, & Wiseman, 2013).

The CEO's propensity to commit resources, exploit opportunities, and engage in corporate investments with uncertain outcomes is, therefore, a particularly important dimension shaping the overall risk profile of the firm. Because of the substantial benefits that CEOs may derive from corporate acquisitions in terms of company empire building, power, and compensation, their propensity to execute acquisitions may be particularly strong in the context of family firms.

We, therefore, formulate the following hypothesis:

H3: A family CEO is positively associated with the likelihood that a family firm will execute an acquisition.

Another element that may shape the willingness of a family firm to commit substantial resources to risky projects such as acquisitions is the transgenerational outlook that uniquely characterizes family-controlled firms. The ability to create value across generations in terms of both financial results and strategic continuity is a primary concern in family firms (Habbershon, Nordqvist, & Zellweger, 2010).

We argue that the generation of the family firm may also have substantial implications in terms of risk-taking vs risk aversion in corporate decisions. In particular, because of their willingness to preserve the firm's longevity and the family control, we suggest that the founding generation may be more risk-averse relative to later generations. Later generations, indeed, may be less cautious when deciding upon the firm's socioemotional capital. We thus hypothesize the following:

H4: The founding generation is negatively associated with the likelihood that a family firm will execute an acquisition.

3. METHODOLOGY AND SAMPLE

Our hypotheses are tested on a sample of 207 acquisitions executed by 93 Italian family listed companies from 2014 to 2020. Data on the deals were collected from Zephyr, a comprehensive database on M&A produced by Bureau Van Dijk.

Our observations include both acquisitions for capital increase, i.e., where the acquirer already owned prior stakes in the target company, and pure acquisitions, where, on the contrary, the acquirer does not own any prior stake in the target firm.

4. RESULTS

Results are shown in Table 1. In line with our *H1*, the percentage of family ownership does not seem to influence the acquisition behavior, confirming prior literature (Miller, Le Breton-Miller, & Lester, 2010). The findings also indicate a negative impact of family governance on the propensity to acquire; in particular, the presence of family members sitting on the board of directors has a negative effect on acquisition propensity ($\beta = -0.32$, p-value < 0.05). Thus, *H2* is supported and confirms that the higher the family involvement in the decision-making body, the greater the firm's risk aversion. *H3* on the positive effect of a family CEO on the propensity to acquire is also supported (($\beta = 0.08$, p-value < 0.01). Our *H3* on the positive effect of the family on acquisition propensity is also supported ($\beta = 0.08$, p-value < 0.001). Finally, our results do not provide support for our *H4* exploring the role played by the family generation: the variable capturing the generational step is not significant; however, it is worth noting that the sign of the coefficient mirrors the expected direction.

Table 1. Regression results

Independent variables	***Model 1: Only controls***	***Model 2: Full model***
Family ownership		0.18 (0.22)
Family involvement in the board		-0.32(0.40)**
Family CEO		0.08 (0.04)***
First generation family		-0.01(0.78)
Leverage	0.26 (0.06)**	0.25 (0.11)**
Firm size	0.13 (0.01)**	0.01 (0.47)**
Diversification	1.38 (0.05)**	1.15(0.00)**
Domestic deals	-0.63 (0.07)**	-0.83(0.04)**
Manufacturing	0.01(0.04)	-0.01(0.75)
Year dummies	Included	Included
Number of obs.	207	207
R^2	0.59	0.60

*Note: Dependent variable: acquisition propensity. Standard errors are reported in brackets. Significance codes: * p-value < 0.1, ** p-value < 0.05, *** p-value < 0.01, **** p-value < 0.001.*

5. DISCUSSION AND CONCLUSION

The conceptual framework of this study suggests that while family ownership may be an important predictor of corporate decisions in a family vs. non-family research context when focusing on family firms, the extent of family ownership may actually be a less valuable driver of the firm's corporate risk-taking. Rather, since decision-making takes place in executive bodies, the family involvement in the board and the family CEO may be stronger predictors of the family firm's propensity to embark on risky projects such as a corporate acquisition. This study provides intriguing findings on the contrasting effects of such variables. Indeed, while the family involvement in the board intensifies the firm's risk aversion, which confirms the socio-emotional wealth paradigm, the presence of a family CEO points in the opposite direction. This may actually be consistent with a behavioral agency model, as the potential gains prospects in terms of reputation and compensation implied in a corporate acquisition may substantially encourage the family CEO to embark on such a project.

Although our results do not show statistical significance for the variable capturing the firm's generational step, we believe that the willingness to take on risks and to commit resources to investment projects may be substantially affected by whether the firm is controlled by the founding vs later generations. To the best of our knowledge, this is the first study to incorporate the role played by generational control in affecting corporate risk-taking in family firms. Thus, future research might explore whether the transgenerational dimension may drive corporate-level decisions.

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SESSION 6: GENERAL ISSUE OF GOVERNANCE AND REGULATION

THE INTRODUCTION OF A CONCEPTUAL FRAMEWORK FOR IMPROVING SMALL AND MEDIUM-SIZED ENTERPRISE START-UPS' ACCESS TO EXTERNAL FINANCE

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Abstract

Most countries' small and medium-sized enterprises (SMEs) recognize the critical role of SMEs in economic growth (Lekhanya, 2016). Small businesses are at the heart of many countries' growth and the primary source of state revenue (Bongini, Ferrando, Rossi, & Rossolin, 2017). According to Domeher, Abdulai, and Yeboah (2016), SMEs contribute approximately 60 percent of global gross domestic product (GDP) and more than 95 percent of total global jobs. SMEs account for more than 99 percent of all non-financial commercial enterprises in the European Union, with 93 percent being micro-businesses, less than 6 percent being small businesses, and less than 1 percent being medium businesses (Rotar, Pamić, & Bojnec, 2019; Bongini et al., 2017).

To demonstrate the difficulties that start-up SMEs face in accessing external financing, the World Bank Task Team (The World Bank, 2017)

has described a variety of reasons known as limitations for start-up SMEs to access foreign funding. Factors such as a lack of financial skills, financial industry abuse, intelligence asymmetry, and the high risk of lending to start-ups were all considered (Osano & Languitone, 2016; Zondi, 2017). According to EVA Financial Solutions (2019) and Fatoki (2016), the majority of South African small businesses fail after the start-up stage, and their failure rates of 75% are among the highest in the world.

In view of the above situation, the aim of this study is to investigate how start-up awareness (SUA), management skills (MS), and financial provider requirements relate to the primary drivers of business success in an experimental setting. A framework was developed to improve the ability of start-ups to secure external investment (Bamata, 2019). A simple random sample of 253 SMEs in Pietermaritzburg, South Africa, was used to collect data. The data from the questionnaire were analyzed using the statistical tool SmartPLS, which included descriptive and inferential analyses as well as structural equation modeling. It has been demonstrated that start-up awareness and management skills improve SMEs' access to government, corporate, and personal/social financing sources. The results were obtained after evaluating seven hypothetical connections. The proposed framework connects a start-up entrepreneur's startup awareness and management skills with funding provider needs and provides an idea of the type and optimal funding options to be used for the business (Bamata, Govender, & Fields, 2019).

The financing framework for start-up SME access to external finance has three components, namely: entrepreneurial awareness, key requirements, and financing options. It emerged from the findings that these components are related to access to external financing for start-up SMEs.

Entrepreneurial awareness: This first component of the framework reflects the determinants that directly impact SME access to external finance. The findings of this study show that all the key determinants of SME success do not directly impact start-up SME access to external finance. SUA emanates from determinants, such as market research, business strategy, business plan, amount and source of seed capital, and location, and management skills are made of determinants, such as general management skills, strategic management skills, financial management skills, communication skills, and marketing skills. It was ascertained in this study that the above determinants, which were clustered as start-up awareness and management skills, affect access to different sources of business financing.

Key requirements: This second component of the framework reflects the key criteria for accessing government grants, commercial bank financing, and/or private equity finance.

Financing options: The third component of the framework reflects three sources of external finance, namely: government grants referred to as government financing (GF); bank finance, referred to as corporate finance (CF); and private equity finance, referred to as personal/social source of finance (PSF). These three sources of finances were considered in this study since they broadly constitute the principal sources of finance for SMEs. It was ascertained in this study that there is a relationship between the start-up awareness and management skills of the owner-manager and access to these sources of finance.

By utilising this framework, SME owner-managers would become aware of their financing needs, develop the necessary management skills and be ready to choose the most suitable source of external finance. The proposed framework will aid in resolving the difficulties that SMEs, particularly start-ups, face in obtaining external financing. Small and medium-sized businesses can plan their financing needs and choose from three primary external financing sources if they understand and use the funding framework. In general, the acquisition of appropriate professional, technical, and business skills by start-up SMEs is viewed as a competitive advantage. Furthermore, entrepreneurship is regarded as particularly important in enabling South African small and medium-sized businesses to progress from survival to substantial, higher earnings.

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REINFORCING THE “REGIONAL PROMOTIONAL INSTITUTIONS AND BANKS” CORPORATE GOVERNANCE: A CONCEPTUAL PAPER

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Abstract

The present research seeks to shed light on and solve some issues related to the corporate governance of a category of entities that is fundamental for Italy’s economic and social development, the regional promotional institutions and banks. These problems arise from the hybridity of these institutions since they do not assume a unique and specific corporate governance model, presenting contradictions concerning their structure, control, the business carried out, and the corporate purpose. The necessity to address this topic comes from the relevant role these entities will play in future sustainable development.

1. INTRODUCTION

Because of crises that occurred in the last decades, the academic community has brought back its attention to the social and economic development to improve the resilience of the economic structure of the various European nations (Wruuck, 2015). In particular, in Europe, there has been a growing interest in the role of public promotional institutions. These are a fundamental operational hub for relaunching investments and allowing economic growth to resume following shock events, leveraging the public resources to mobilise significantly private ones (the so-called national and Regional Promotional Institutions and Banks) (Płókarz, 2018).

This has also happened in Italy. In this context, interest has re-emerged in the already existing, but partly overlooked in the literature, phenomenon of the Regional Promotional Institutions and Banks, which are institutions designed to support the Italian regions in implementing economic development programmes (Associazione Nazionale delle Finanziarie Regionali [ANFIR], 2017). These institutions design, create and manage financial products and services to support local businesses, professionals, and public administrations in their regions, supporting them in structuring financial operations to foster the attractiveness and competitiveness of the territory. Thus, their core business consists of a wide range of services (investment, financing, support, guarantee and advisory) to companies whose core business is in the region in which the Regional Promotional Institution operates.

However, the analysis of the Italian context reveals a lack of a unitary definition of these entities, as well as an accentuated de-structuring of their governance, internal control, and risk management systems (ANFIR, 2017). Therefore, these entities do not assume a unique and specific corporate governance model, presenting different contradictions concerning their structure, control, the business carried out, and the corporate purpose. Specifically, looking at sustainability, these institutions have not yet implemented national and international guidelines concerning the internal governance structure, capable of intercepting risks and opportunities linked to the environmental, social and governance (ESG) sphere. However, they are expected to adapt since they are called to support Regions in allocating the public resources of the National Recovery and Resilience Plan[1]. This allocation must be consistent with one or more of the sustainable development goals (SDGs). Therefore, it is necessary to provide these institutions with a governance model that can fulfil their roles.

Considering this relevant role, the objective of this work is to propose an adaptation of the corporate governance of the Regional Promotional Institution, aligning the internal control and risk management systems with the best practices generally recognised. This is achieved by hypothesising a non-financial reporting system integrated with the business plan and risk management policies, with a strong focus on the needs of different stakeholders with which these entities interface.

[1] The National Recovery and Resilience Plan (Piano Nazionale di Ripresa e Resilienza, NRRP) is part of the Next Generation EU (NGEU) programme, namely the €750 billion package — of which about half is in the form of grants — that the European Union negotiated in response to the pandemic crisis.

2. METHOD AND CONTEXT

This is a conceptual research since it allows to explore a topic that is already well known in the literature, as the Regional Promotional Institutions, allowing to consider different aspects and create links with other disciplines or concepts (Gilson & Goldberg, 2015; Jaakkola, 2020). This study intends to include elements relating to sustainability, internal auditing, and risk management within an already complex issue, to overcome the current limitations of the phenomenon.

The data is collected through document analysis and participant observation (Bowen, 2009; Spradley, 2016). Relating to the document analysis (Bowen, 2009), the authors examine the documents published by these entities, referring to 2021. Other data were obtained through participant observation (Spradley, 2016) derived from the agreement signed by the Department of Business Studies (University of Roma Tre), ANFIR and a consulting company, Operari Srl.

The choice of analysing the Italian Regional Promotional Institution is due to the high potential, considering the relevant role these entities will play in the national economic growth.

The Regional Promotional Institutions are quite spread in the Italian landscape (18 out of 20 regions). On their own initiative, ANFIR, a non-profit association, was founded in 2017. Its aims to provide a stable framework to these entities, contributing to the strengthening of their role by proposing them as:

- interlocutors of national financial institutions for the implementation of public expenditure policies at the local level for the regional economic and social development;
- intermediaries able to directly manage the implementation of EU spending programmes;
- operators able to create synergies at the national level through cooperation.

3. ANALYSIS AND FINDINGS

Firstly, we investigate the need to structure a managerial-based system of governance in which political and management bodies do not hinder each other but rather integrate and balance each other, defining responsibilities and controls.

Secondly, a broader approach to disclosure has been proposed, which is not merely limited to the publication of financial reports but must also consider non-financial information (in line with the ESG framework, the Sustainable Finance Disclosure Regulation (SFRD), Corporate Sustainability Reporting Directive (CSRD) and the Taxonomy Regulation). For this reason, it is necessary to set up a corporate social responsibility (CSR) policy able to engage internal and external stakeholders through various tools (e.g., double materiality matrices) on long-term issues (i.e., sustainability). In this light, ESG variables are prerogative to contribute to SDGs. In addition to the proposal of an integrated disclosure on financial and non-financial issues, creating a structured and stable internal audit function has been suggested (by 2021, data show that only less than 10% of public entities have an internal audit function). The function's task would be, firstly, to carry out assurance activities to raise top management's awareness of critical issues relating to compliance (organisational and managerial model related to Legislative Decree No. 231, corporate governance procedures, code of ethics, Sarbanes-Oxley Act (SOX), Japan's Sarbanes-Oxley Act (JSOX), sustainability, ESG, SDG), and then, to stimulate the creation of a solid corporate culture through advisory activities on the aforementioned issues.

Finally, it has been discussed to expand the three lines model (only partially implemented by the Regional Promotional Institutions and Banks) with some best practices, intercepting risks and opportunities, to identify, monitor and manage them. Therefore, the authors proposed a three lines model integrated with the new enterprise risk management (ERM) framework *Integrating with strategy and performance* (Committee of Sponsoring Organizations of the Treadway Commission [COSO], 2017) and the ISO 37000 on the governance of organisations.

4. CONCLUSION

From a theoretical view, this study explores a phenomenon that can easily be brought back to the concept of hybridity, seen in its multiple meanings (Grossi, Reichard, Thomasson, & Vakkuri, 2017). It is possible to observe hybridity just by thinking of the dual soul of these organisations, which have a private legal status but are led by a public economic entity. This implies the need to consider the Regional Promotional Institutions and Banks as financial entities with a public purpose, operating with private techniques (Mauro, 1980). Looking at practical aspects, it was interesting to assess the impact of this hybridity on value creation, governance, and corporate social responsibility strategies. The outputs of this study are valuable proposals for improving the governance of these entities, enabling them to overcome the limitations arising from being a hybrid phenomenon and exploit, at the same time, all their potential.

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MERGERS AND ACQUISITIONS IN THE FOOD AND AGRIBUSINESS SECTOR: NEW ASPECTS AND TRENDS

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Abstract

The global agri-food industry is undergoing deep reorganizations, with a plethora of mergers, acquisitions and agreements unifying the sector. This paper examines the dynamics surrounding these large multinational agricultural mergers and addresses the broader implications of these agreements for global environmental and food policy. The study proposes that the current wave of mergers is in some way similar to previous waves of integration in the sector, but also significantly different. Past mergers in the field have been largely driven by technological innovation and integration along with enhanced copyright protection. Further technological innovation and integration remain important for today's mergers, but it is not the only driving force.

Today's mergers are also largely shaped by increased financialization in the agri-food sector, which has prioritized investor claims for profits in ways that encourage corporate integration. These waves of mergers and acquisitions have revolutionized and restructured these industries several times in recent decades and continue to bring about change and adjustment even today. The overall continuous integration of food businesses and agricultural enterprises in recent decades has not gone unnoticed. Past research and press releases covering the consolidation process may not focus strictly on mergers and acquisitions in terms of the consolidation phenomenon, but the overall

structural changes that have taken place in the sub-sectors involving the food and food industries have been highlighted. There is no doubt that mergers and acquisitions have served as a means of facilitating this change. One of the main reasons for the merger is to reduce costs because a combined company can operate more efficiently than two separate companies. However, the merger of two companies could potentially lead to a reduction in competition and an increase in the prices charged to the consumer or a reduction in the prices paid to the producer in the event of a monopoly position.

The purpose of the research is to draw useful conclusions regarding the examination of the case of company mergers in the agricultural sector. A satisfaction questionnaire was designed to conduct the survey, in order to collect information from employees or owners employed in the agricultural sector in Greece. According to the answers of the respondents, it is clear that they take for granted a new wave of mergers in the agricultural sector. There are concerns both about dealing with staff and even layoffs. Most are in favor of merging to avoid closing another business but with the priority of protecting workers' rights. Finally, four solutions they proposed instead of mergers are taking a loan, implementing a new business plan and attracting new investors, having a strategy change and business reorganization.

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IS THERE (A METHODOLOGY TO MEASURE) A CORPORATE GOVERNANCE RISK PREMIUM IN THE CORPORATE COST OF CAPITAL?

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Abstract

The research proposes to intend the firm as a nexus of stakeholder, each bearing return-to-risk expectations about the sharing of the corporate performance. All the stakeholders must achieve their own satisfaction through the bargaining of contracts that must be sustainable, i.e., keep both the firm and its stakeholders-network alive in the long term. Governance is intended as the mechanism that gives a solution to the above puzzle. When the market and contracts are complete, the optimal solution can be easily found. But when incompleteness emerges, governance can misallocate the firm performance among the stakeholders. In fact, in incomplete contests, the stakeholders will negotiate the visible-only arguments of contracts, but this way they bind even the invisible ones, i.e., those impacting anyway on their ex-post performance. This being the case, a governance risk premium (GRP) emerges in the medium-long run, incentivizing governance repackage. Such a GRP depends both on the actual grade of market completeness and the one of contracts as per the risk allocation made through time. Even incomplete governance can emerge. A methodology to detect GRP is proposed accordingly.

Think about the firm as a nexus of stakeholders carrying on transactions to be governed through agency contracts. The stakeholders have an economic incentive to keep contracts alive as long as they can benefit from the transactions carried on through the firm. When the incentives disappear, the contract is abandoned. The firm is said to be sustainable from an economic point of view (i.e., it is a long-term performer) if the abandon-decision of a specific stakeholder cannot compromise the nexus as a whole. Any decision of a single stakeholder about the contracts within the firms is based on the joint consideration of: 1) the economics of the specific (short-track) transaction and 2) those arising from the long-term survival of the nexus.

The nexus of contracts must be optimized as uniqueness, although this may conflict with the optimization of a single transaction: indeed, a benchmarking process between short and long-term benefits. From a financial point of view, such a trade-off might be soundly managed through the concept of present value that includes both the single transaction (i.e., short-term) return and the stream (i.e., long-term) of expected returns. However, present value computation can be misleading if financial markets are incomplete (Allen & Gale, 1994); in such a case, one stakeholder prefers to enter an incomplete contract (Zingales, 2002) to have the opportunity to opt out the contract in case of deployment of unexpected scenarios. The unfair valuation of the contract may arise from biases in expectations concerning: 1) cash flow discovery and levels; 2) discount rates computation (i.e., embedded risk); 3) time horizon estimations. Any transaction of the firm's stakeholders can be intended as a contingent claim over the previous three elements, while any governance framework refers to their mixture. Any mismatch of the above components makes the governance framework more risky and expensive. In this study, we propose a method to detect the governance risk premium (GRP) in the corporate cost of capital.

According to Bertinetti and Mantovani (2009), there are four possible different components contributing to the risk premium generated by incomplete governance:

1. The *basic component*, due to the ex-ante distortions of the negotiation processes carried out in incomplete (although efficient) markets. This component is usually positive since awareness of incompleteness generates further expected rewards;.

2. The *informative component*, due to the information asymmetries embedded anyway in the ex-ante negotiations, having no predictable algebraic sign (Mantovani, 2012).

3. The *managerial component*, due to the aim of an insider stakeholder to deal with its contracts by referring to the fair value or to the market value of the firm. No sign can be predicted.

4. The *behavioral component*, due to the existence of options given to some stakeholders to negotiate again their value share in an ex-post framework. No sign can be predicted.

The authors define as "incomplete" the governance framework that prevents splitting down analytically the determinants of the risk premium. In fact, the impossibility to determine the sources of governance misallocation prevents modifying the underlying agency agreements, thus keeping incomplete the governance mechanisms. In the case of a misallocating governance mechanism, the existence of excess returns generates no increase in the value of the firm, since a GRP emerges in order to protect the stakeholders from unfair value allocations.

The methodology here proposed applies to the relations between the different stakeholders of the firm. The portfolio of their agency contracts represents the nexus of the risk-sharing choices in the firm as in the value-risk-chain model by Mantovani, Daniotti, and Gurisatti (2013). We replace: 1) the financial assets composing the portfolio with the productive inputs as referred to each stakeholder; 2) the weights of the portfolio with those arising from the business decisions on the mix of the inputs. If an equilibrium exists, the linearity condition should let us compute the cost of equity capital through the portfolio and find the same figures that can be observed directly in the financial markets. Otherwise, the gap may proxy the GRP level.

We tested the implementation of the proposed methodological approach over a sample made of Italian listed companies. The choice of the Italian case is a direct consequence of the elements that characterize the corporate governance in the country. Even for Italian listed companies, it is generally thought that governance may contribute significantly to the firm performance as a direct consequence of the higher concentration of shareholders and the market inefficiencies.

The sample is made of 60 Italian companies listed on the Italian Stock Exchange, as selected through the AIDA — Bureax Van Dijck database, by choosing those incorporated in Italy, having at least a track record of nine consecutive filed financial statements at end-2016 (i.e., an entire long-term economic cycle after the great financial crisis). The set has been limited to fully manufacturing companies, only, to avoid complex computation of beta normalization that could affect the clarity of the exposition and might bias the application of the methodology.

Step one consists of reclassifying the profit and losses (P&L) accounts to highlight the lines referring to specific stakeholders. Provided that we are considering the sample as a single company, we computed the cumulated P&L data for the entire sample.

Step two concerns the estimation of betas for each line/stakeholder. Beta-esteems are based on the dynamics of P&L lines for each stakeholder, as compared with those of the stock market. To achieve trustable esteems, P&L lines must refer to an uncorrelated (wider) sample over the longer possible period. By using data from an uncorrelated sample, we can avoid loops and self-fulfilling results, while the longer time horizon protects our esteems from contingent bias, through the mean-reverting trends of risks. In fact, in the short-run, betas could divert from fair data because of the market inefficiencies.

For the Italian case, the above conditions may be matched by recurring to the datasets managed by Mediobanca, a sample of 2065 Italian companies[1]. Such a dataset lets us have a complete and continuous time series of data to be compared with the second dataset, being the historical Italian Stock Exchange Index (COMIT) since 1982. Data are indexed to the sum of operating revenues of the datasets (1982 = 100) to simplify comparisons with the COMIT Index. Based on these results, we compute the betas for any specific line of the aggregated P&L: we will call them "*BOOK-beta*", to remind that they are computed through a comparison of the accounting data dynamics with those of the stock market. Like the standard "*CAPM-beta*", resulting indexes state the relative sensitivity of the specific line/stakeholder to the market as a whole; therefore, the systematic risk, only.

Any difference between the BOOK-beta for revenues and those for a specific P&L line specifies the different risk-sharing choices as made for each stakeholder.

Step three consists of using the BOOK-betas to test the equilibriums by using data of the P&L lines of our specific sample. This should permit us to discover basic GRPs. In fact, in case of complete corporate governance of our sample, the market data should coincide with those computed as a linear combination of the different lines.

Provided the incompleteness of corporate governance, *step four* consists of using the previous esteems to assess the GRP using our break-down proposal. By focusing on the operating level, three of the four possible components contributing to the risk premium generated by incomplete governance are detected in the figures. In fact:

- the *basic component* (due to the distortions of a negotiation process carried out in ex-ante incomplete markets) can be estimated at 1.23%;
- the *informative component* (due to the asymmetries in *ex-ante* negotiations, as well, missing the risk-sharing consequences) adds 0.98% (= 2.21% - 1.23%);
- the *managerial component* (due to the capability to deal fair values including growing opportunities) reduces 1.91% (to 0.30% = 2.21% - 1.91%).

We still must find out if the residual 0.30% (= 1.23% + 0.98% - 1.91%) must be considered as the actual GRP or the direct consequence of its *behavioral component*.

The governance concept adopted in this research refers to a firm being intended as a nexus of stakeholders. In such a framework the chosen governance is asked to split the present value of expected payoffs between the stakeholders of the firm, i.e., to jointly share flows, risks and their time duration. Governance negotiations based on income

[1] "Dati Cumulativi di 2065 Società Italiane", Mediobanca, Milan, 2017 and previous different years.

statement sharing, only, are short-term oriented and ready to become obsolete very soon. They require continuous-time re-negotiations and supporting contracts will be incomplete. Each renegotiation can be particularly expensive, suggesting protective behaviour during the deal. This makes arise governance risk premiums in expectations: stakeholders will require higher flows without having the opportunity to catch higher values of their own position versus the firm. In case of persistent excessive risk sharing, some stakeholders may decide to abandon the nexus (i.e., the firm). The higher the number of stakeholders abandoning the firm, the lower will be the long-term sustainability of the firm. Indeed, GRP-emersion signals the opportunity to repackage the governance because of the incompleteness of both markets and contracts. Being based on value allocation, the sources of governance inefficiency may refer to different drivers: flows, risk, time-horizons, growth, along with the sharing agreements referring to them. Governance might be incomplete itself if such drivers are not well allocated into the nexus, i.e., contracts are unable to craft drivers according to stakeholder's attitudes.

This is why a methodology to measure GRP and to relate it to different sources is required. But how to do it in practice? The study illustrates a possible methodology to measure GRP and split its sensitivity according to the possible drivers of the chosen governance. The basic concept adopted by the proposed method is based on the linear relationship of systematic risks (the CAPM-betas): GRP emerges when the measured CAPM-beta diverts from the one computed considering the firm as a portfolio (the nexus) of stakeholders' expectations each with its own BOOK-beta. An application to a sample of companies listed on the Italian Stock Exchange permits to find out 0.39% GRP into the equity cost of capital. Such a GRP has the following breakdown: 1.23% operating basic component; +0.98% operating informative component; -1.91% managerial component; +0.80% operating behavioural component; 0.81% quota of operating GRP shared to debt capital.

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ECOMUSEUMS AND WELL-BEING: A RESEARCH PROPOSAL FOR THE *ECOMUSEO CASILINO AD DUAS LAUROS* IN ROME

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Abstract

Ecomuseums were born at the beginning of the 70s of the last century in France and, in the following decade, the movement of *La Nouvelle Muséologie* developed, with the aim of abolishing the distance between the public and the content of the museum, emphasizing its role as a place for collective use and for the formation of new active citizenship. The peculiarity that today distinguishes the ecomuseum (and the community museum) is not the object on which it operates, but rather the original design approach, with the search for a balance between forms of protection, enhancement and development of a local system, in the cultural, environmental, social and even economic fields. An approach focused on the integrated enhancement of the resources of a territory, through the recognition and interpretation of local identities, to reach shared regeneration and reuse choices of cultural and environmental heritage and very attentive to all aspects of development. The original contribution that ecomuseums and community museums offer is a wealth of good local development practices ranging from community involvement to the production of social innovation, to the research on local heritage (also through subjective tools such as community maps), to landscape management, the recovery of the architectural heritage, the qualification of traditional festivals, the promotion of sustainable tourism.

In the Lazio Region, in the centre of Italy, the example provided by the *Ecomuseo Casilino Ad Duas Lauros* is relevant. The Association for the *Ecomuseo Casilino Ad Duas Lauros* has been recognized as the managing body of the ecomuseum and is a voluntary organization founded in 2012 by a group of citizens residing in the area.

The association pursues the statutory objective of safeguarding, enhancing and promoting the environmental, landscape and cultural heritage of the *Casilino Ad Duas Lauros* Archaeological Area and the neighbourhoods, through the establishment of the urban ecomuseum. The proposal to create an urban ecomuseum is generally aimed at identifying, recording, interpreting, reconnecting the complex of tangible and intangible cultural resources present in the area of interest, including the intangible cultural productions of the resident communities of foreigners who contribute daily to the implementation of the complex cultural heritage of the area. Furthermore, the creation of the ecomuseum intends to enhance the agricultural, natural and archaeological areas against the progressive increase in construction. The ecomuseum project aims to rediscover the connections among the systems of greenery, archaeology and living by outlining the vision of a "new city", structured on the network of natural spaces. In this perspective, all the initiatives are inspired by the principles of environmental sustainability: any form of consumption of the territory and practice aimed at building from scratch is denied, focusing attention on the recovery of the existing and, in particular, of the historic farmhouses and nineteenth-century villas. Ultimately, the creation of the ecomuseum is the first step in the recovery of the *Agro Romano*, accompanied by a process of sustainable development of local micro-economies, as an alternative to the disorderly advance of urbanization that affects the agricultural territory.

The *Ecomuseo Casilino Ad Duas Lauros* is developed in nine thematic itineraries:

- anthropology;
- archaeology;
- forms of the sacred and of spirituality;
- forms of urban art;
- places of the cinema;
- naturalistic landscape;
- history of the 1900s;
- urban planning and landscape;
- hot-spot.

The mission of the ecomuseum consists in experimenting with participatory projects for the development of local communities starting from the protection and safeguarding of the territorial heritage in its historical-cultural, artistic, productive, environmental, ethnographic components. The main tool it uses is the research on the territory.

Through dialogue with citizens, community maps are produced, which are the cartographic or graphic representation in general of the cultural heritage felt by the community that lives in the territory. In this way, the tour itineraries are constructed, made public through digital tools.

The ecomuseum adopts the Sustainable Development Goals (SDGs) of the UN 2030 Agenda and places them at the very centre of its strategy, contributing, through its activities, to various SDGs. In relation to SDG 3 (good health and well-being), in particular, a research project has just started.

Starting from the analysis of the five factors of the P.E.R.M.A. model by Seligman (2018) (positive emotions, engagement, relationship, meaning and purpose, accomplishment), the research project intends to study the relationships between the cultural activities of the *Ecomuseo Casilino Ad Duas Lauros* carried out in the area (urban explorations, visits, heritage walks, activities with schools, exhibitions, etc.) and the wellbeing of users, whether they are residents or visitors. The goal is to understand which are the areas of action of the ecomuseum that generate the greatest impacts on individual and community well-being and which activities could be improved.

The goal will be pursued through the first phase of study and field research, which will make use of two fundamental tools:

- a survey questionnaire aimed at collecting data on the quality of life and the level of social cohesion of users;
- the story, in written and/or oral form, of the experience and associated sensations, produced at the end of participation in the activities of the ecomuseum. Furthermore, this second tool itself represents a means that promotes wellbeing, based on the assumptions of narrative medicine.

Both tools will allow, through a subsequent content analysis, to extrapolate the keywords identifying the level of well-being associated with the cultural activities of the *Ecomuseo Casilino Ad Duas Lauros*.

The ultimate goal, in the medium/long term, is to design and implement more and more ecomuseum's activities that contribute positively to the bio-psycho-social wellbeing of the users and of the entire community.

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A REVIEW ON BLOCKCHAIN GOVERNANCE

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Abstract

Having both opportunities and threats, blockchain is inevitably a game-changer disruptive innovation in our time. It keeps penetrating a wide scope of areas including banking, insurance, supply chain, trade finance and many more. During this penetration, it both affects and is affected by traditional governance mechanisms. Like the evolution of traditional governance mechanisms from shareholder to stakeholder model, blockchain technology advances towards optimizing the reciprocal effects of on-chain and off-chain governance. Based on the sophisticated and technology-dominated papers in the literature, this study handles blockchain governance by focusing on both technical and economic aspects of the concept. By analyzing different features of blockchain governance, we come up with the view that technical and economic success seems to be the highest in a hybrid governance structure at this stage.

1. INTRODUCTION

Being the foundation of Bitcoin, blockchain can be regarded as a public ledger where all committed transactions are stored in a list of blocks.

Blockchain technology has key characteristics such as decentralization, immutability, better security, efficiency and anonymity (Atlam & Wills, 2019). With these properties, it can function as a cost-saving and efficiency-improving game-changer. There are different types of blockchains. Each blockchain is open-source software with a source code that determines the implementation of a protocol (Maddrey, 2018). The software protocol includes the details on how processes will be implemented, at what speed new blocks will be added, what will be the block size, difficulty, nonce, etc. (Hacker, 2019). There are several participants of a blockchain network that perform in different layers. Who are the participants of a blockchain network? What do we mean by governance of blockchain? Which type of blockchain can be an efficient one? These are the questions that this study tries to shed light on.

2. OVERVIEW OF BLOCKCHAIN SYSTEMS

Blockchain systems are categorized generally under three types: public blockchain, private blockchain and consortium blockchain. Public blockchain like Bitcoin and Ethereum have fully open and distributed networks. Here, anyone can be a participant in the network without permission and can join the consensus process anytime. Besides the advantages of security, openness and transparency, this type has some disadvantages such as high transaction cost, high energy consumption, low transaction speed and scalability (Cong & He, 2019). Private blockchain is suitable for closed systems where all nodes are fully trusted. In private blockchain, authorized nodes are responsible for the consensus process. Admin has the highest authority to control the system. Depending on the organizational structure of the company, reading transactions can be allowed by the admin. Multichain.com and Monax.io are examples that use private blockchain. Advantages of private blockchain can be stated as lower transaction cost, faster transaction speed and scalability. Major disadvantages are need for trust and centralized network structure (Khan et al., 2019). Consortium blockchains are almost a hybrid of public and private blockchains. In this type, a group of organizations or companies have control of the network. These organizations have complete authority to make necessary changes for the smoothness of the network (Sajana, Sindhu, & Sethumadhavan, 2018). The limited nodes in the consortium blockchain could validate the transactions so pre-selected nodes take control after consensus. By this means, the system does not allow a strange random entity to enter the chain. It has high scalability, more secrecy of transactions, medium transaction cost, medium transaction speed and partial decentralization. Consortium blockchains are broadly used in the banking sector (Viriyasitavat & Hoonsopon, 2019). R3 and Hyperledger Fabric are examples of this type.

3. BLOCKCHAIN GOVERNANCE

Innovation behind Bitcoin is extended by the launch of Ethereum in 2013. Ethereum is a blockchain technology for the execution of smart contracts which are small computer programs that contain business logic. In 2016, Ethereum blockchain was exposed to an attack when a hacker found vulnerability in the code of "The DAO" (Distributed Autonomous Organization) which was a smart contract built on top of the Ethereum blockchain. This attack led to the theft of Ether equivalent to $50 million (Hacker, 2019). Core developers of Ethereum decided to proceed with a solution of returning the stolen Ether through a hard fork. Nevertheless, not all the participants of the network agree with this decision which led to the forking of Ethereum blockchain into two different versions. As codes are written by humans, several vulnerabilities may arise at any time. Besides, potential malicious codes might be embedded in the software that might be hidden from outside observers, as well (Werbach, 2018).

For improving efficiency in several business sectors, organisations develop their own applications on blockchain or join an existing blockchain network. To do this, they need to see trustworthy and realistic governance and maintenance where economic incentives between different stakeholders are aligned and changes to the blockchain are coordinated carefully (van Deventer, Brewster, & Everts, 2017). By reviewing thirty-seven studies, Liu et al. (2021) list a wide group of stakeholders that are involved in blockchain governance such as the project team, node operator, user, application provider, regulator, media, researcher and environmentalists. In such an environment, competing interests among stakeholders will not be surprising. For example, it is important to clarify whether voting on which transactions to include in a block is in line with democratic principles or whether this process inclines toward plutocracy when competitors acquire tokens to accumulate voting power as in the case of proof of stake (PoS) (De Filippi & McMullen, 2018). In brief, governance should be elaborated case by case where stakeholders are involved in differing networks.

4. LITERATURE REVIEW ON BLOCKCHAIN GOVERNANCE

Governance of blockchain differs from the existing governance mechanisms under Ce-Fi (Centralized Finance). As related concepts, "governance by blockchain" and "governance of blockchain" are clarified by Ølnes, Ubacht, and Janssen (2017). In the first, technology provides a supporting role to improve the existing governance process. In the latter, it identifies the development, adaptation and maintenance of the blockchain technology itself. De Filippi and McMullen (2018) associate "governance by blockchain" with on-chain governance. Hereof, on-chain governance refers to a system of rules that are encoded directly into the underlying technological framework responsible for enforcing them. They link "governance of blockchain" to off-chain governance. It consists of all other types of rules that may affect the operation and future of these systems. On-chain governance rules are clearly codified and automatically enforced according to defined processes. But they are less adjustable to changing or unforeseen circumstances. Conversely, off-chain governance rules are more informal and enforced by the intervention of a third party. They are more unstructured and more complex to monitor. Off-chain governance comprises endogenous and exogenous rules (Reijers et al., 2018). Endogenous rules consist of rules coming from a reference community while exogenous rules originate from a third party (Colomo-Palacios, Sánchez-Gordón, & Arias-Aranda, 2020). Chao (2020) suggests a new type and summarized three methods of blockchain governance including on-chain, off-chain and hybrid governance. He proposes a centralized hybrid governance method of blockchain that brings the advantages of on-chain and off-chain governance to achieve efficient governance and to avoid other drawbacks of governance processes such as non-transparency, inefficiency and split-prone structure of blockchain. Li and Zhou (2021) attempt to find the interactions between on-chain and off-chain governance by employing the contingency theory. They emphasized that the advancement of technology and the occurrence of novel situations in governance requires a flexible and adaptable understanding of not only the infrastructure but also the social environment and its implications. They come up with consortium governance that combines both methods to create a reciprocal structure.

5. CASE STUDY: TRADEFINEX BY XDC NETWORK

XDC Network is a hybrid blockchain that has developed by XinFin, a Singaporean company. TradeFinex is a decentralized platform that runs on XDC Network operating in the global trade finance market. XDC Network aims to reduce friction among the complex group of actors in trade finance and expands access to trade financing for small and medium-sized enterprises (SMEs) and creates yield opportunities for investors (https://www.blockdata.tech/).

Standardized documents and agreements are moved to smart contracts so transactions are aimed to be settled faster. It takes advantage of private blockchain in terms of data privacy and public blockchain in the transaction verification on a shared public ledger (https://xinfin.org/). As of 2020, the global trade finance gap is estimated at around $1.7 trillion which is 9.7 percent of global trade. Hybrid blockchain has the potential to fit this gap.

6. CONCLUDING REMARKS AND FUTURE WORK

In this paper, we review blockchain governance by exploring its types and its features. Each type of blockchain has its own advantages and disadvantages. Although blockchains have promising technical features they are not exempt from attacks. Besides, there are several stakeholders that pursue their own interests depending on the type of blockchain. In such environment governance of blockchain becomes crucial. In order to optimize benefits from this technology, on-chain and off-chain governance should be considered together. Also, exogenous and endogenous rules should be incorporated into a hybrid approach. The success of blockchain might create value both at the micro and macro levels. Finally, the success of blockchain might affect the market shares of De-Fi and Ce-Fi in the coming years. In our future work, we'll focus more on whitepapers and use cases from a governance perspective.

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CONFERENCE FORUM DISCUSSION

THE COMPOSITION OF BOARD COMMITTEES IN FAMILY FIRMS: DOES OWNERSHIP MATTER?

by Paolo Agnese and Francesca Romana Arduino

Alexander Kostyuk: Dear Paolo and Francesca, welcome to our conference forum. I found your study concept as very contributive to the existing literature in the field of ownership structures and family firms. I have some comments related to the methodology of your study. You declared that you use a sample of all family firms listed on the Italian Stock Exchange between 2010 and 2020 and rely on various sources to build our dataset. I would recommend dividing your dataset into financial and non-financial companies to fix the industrial specifics and avoid mixing results.

Carlotta D'Este: Hi Paolo and Francesca, very interesting paper! How did you measure the dependent variable?

Yan Wang: Hi Paolo and Francesca, a very interesting paper on board committee. You mentioned in your paper "...As explanatory variables we adopt the family ownership and the institutional investors ownership, and as moderating variable we include the number of family members in the firm management". And I am not sure why you use the number of family members as moderation factor? Do family ownership and number of family members have any relationship?

Francesca Romana Arduino: Dear Alexander Kostyuk, thank you very much for your interest in the topic of our study. We will consider your suggestions while defining the final sample of the study.

Dear Carlotta D'Este, thank you for your comment. We are collecting information about the functional expertise of the directors to study the composition of board committees.

Dear Yan Wang, thank you for your interest and your comments. We are going to include variables in our study consistently with prior research.

Gonca Atici: Hi Paolo and Francesca, thank you for sharing this interesting paper. I wonder about your ideas on the family constitution. Do you think family constitution may contribute to governance mechanisms and is there any finding in your paper on family constitution effect?

A RESEARCH AGENDA ON DE-BIASING THE BOARD

by Pedro B. Água and Anacleto Correia

Alexander Kostyuk: Dear Pedro and Anacleto, welcome again to our conference forum. De-biasing the board from the point of view of decision-making by the board is a cornerstone of corporate governance. What do you think about the specifics of this issue linked to the model of the board — a one-tier and two-tier boards? Do not you think that any sort of specifics has a chance to exist?

Panagiotis Kyriakogkonas: Thank you very much for your research. I find it very useful. In my opinion, decision-making techniques could be added to your research along with stipulations of legal frameworks for CG in order to promote effective decision-making.

Pedro B. Água: Dear Alex, it is a pleasure to participate in this forum; to see you all here, and hope it follows for many years to come. This edition called my attention from day one when you branded it as "Theory and Practice", as it outstands many other conferences on the subject that merely focus on academic or theoretical work. If not for the practitioners who contribute to a better world through value and job creation, why all the effort?
So, indeed we are diving into a lot of literature on this subject of bias — this time to understand and get visibility for all the solutions suggested by the reference authors. We started a larger paper on the subject gathering the main bias at play within board context, some of them related to individual decision processes, some related to group decision ones. The single tier vs. double tier has something to do with it (especially when we consider the "deference to authority" bias), but most group biases are common to other endeavours (as we see it).
However, thank you for your question, which I'm taking note for further consideration and thinking.

Dear Panagiotis, thanks for your comment. We started this line of research a year ago or so and as we progress we find piles of material about the subject. Even if we are focusing on the specific subject of mind bias, it is obviously part of a broader decision-making scope. Interestingly we do not find many references from corporate governance-specific authors, but from broader management authors. Moreover, it looks at times that we opened a Pandora's Box; but at some point, we have to finish the document we started a while ago. Thanks again.

Alexander Kostyuk: I see your way of thinking, Pedro. Do not you think that de-biasing concerns not only the board as a whole but also the board committees that makes this issue complex?

Pedro B. Água: Hi Alex. You are right indeed. It is that we shall put some frontier on the scope. Actually, I'm finding this subject so broad that it deserves several lines of research just on the topic of mind bias. Because besides the different boards structures (and let's not bring in family offices as that could open another Pandora's Box) it starts looking (at least to me) that there are three domains when it comes to decision-making/bias at the board level: 1) individual level, 2) group level and 3) organizational (institutional?) level.

And Alex, the last word on your comment... that alone, "complexity", opens an even broader Pandora's Box.

Everybody speaks about the complexity of the new business endeavour, but just a few authors are dedicating attention to the complexity concept (and related concepts). Apart from MIT Sloan School of Management, I don't know many other schools which teach the subject as a "normal" core curricula subject (e.g., systems thinking, systems dynamics, etc.). It is a given that complexity has risen and is impacting any businesses and organizations, however, it seems managers, leaders and most decision-makers (more critical at the board level) most of the time do not have the foggiest idea about how to approach complexity. Not their fault of course; but a clear sign that many education curriculums need to be revised to include such subjects. Only then in some future (20 years?) will we have a generation of leaders/managers prepared to harness complexity and its impacts on business and organizations at large. The slow pace of progress...

Alexander Kostyuk: You are absolutely right, Pedro. "Complexity" opens an even broader Pandora's Box. But probably, the board of directors as a field of research needs to open its Pandora's Box? Decision-making on the top is still a black box and therefore transparency as a principle of corporate governance still suffers.

BOARD GENDER DIVERSITY AND CORPORATE ENVIRONMENTAL SUSTAINABILITY: A RESEARCH AGENDA

by Federica Ricci, Vincenzo Scafarto, and Gaetano della Corte

Panagiotis Kyriakogkonas: Hi Federica. Very useful research. Thank you very much for it. I could find very useful a comparison of results between countries taking into account cultural establishments along with political situation.

Alexander Kostyuk: Dear Federica and colleagues, it is great to see your participation. Board gender diversity is linked to many corporate practices and outcomes. Environmental sustainability is a policy of high public concern now. What do you think about the way how to promote the role of females on the board — through gender quotas on the board (to regulate it) or through certain incentives for the companies' owners?

Gaetano della Corte: Dear Panagiotis, thank you very much for your interest! We fully share your advice, as we believe that an integrated approach (also from a methodological point of view) that compares countries and cultural establishments could be very useful in understanding the importance that women have on the boards of companies, as well as their impact on corporate environmental sustainability. This is one of the research directions that we have highlighted in the extended abstract among the possible future research trends. Thanks again for your comment!

Dear Alex, first of all, it is a pleasure for us to meet you and participate in this wonderful conference! Thanks for the opportunity!
We believe that gender diversity is a critical success factor, and increasing the number of women in top management roles in a company can bring benefits and advantages from an organizational, managerial and relational point of view. We are in favor of board quotas and incentives for business owners, but it is also necessary that gender diversity is not just an "obligation" but a common practice. We hope that in the near future this will become a practice rather than having to comply with a legal obligation (such as the so-called "pink quotas" sanctioned by Italian law No. 121/2011, which provides for a mandatory percentage of presence of both genders in work activities, to ensure equal representation). Thank you so much again for your comment!

Yan Wang: Hi Federica and colleagues, this is very interesting and timely research. Gender diversity has certainly attracted a lot of attention from the public and academia. I can see it's a development paper so maybe you can consider adopting systematic literature review (SLR) approach for your paper and also take into account different methods which have been used in the prior research.

Alexander Kostyuk: Dear Panagiotis, you have just fixed an excellent statement that "gender diversity is not just an "obligation" but a common practice". It seems to me that just one word in your statement changes the context, if we replace the word "is" with "should".

Raffaela Nastari: Dear Federica and colleagues, the issue is very interesting. Good idea "Gender diversity as a common practice". Good job!

Gaetano della Corte: Dear Alex, I purposely write "is" in a provocative way, as many entrepreneurs still have this misconception that gender diversity is just mandatory. Thank you for your comment!

A thousand thanks! We really appreciate your comment! I read that you are a student of Napoli Parthenope University, I have many good memories! I hope to see you soon at the next conferences.

Dear Yan, thank you very much for your comment and your valuable advice! As you rightly anticipated, our work is in its infancy, and we will certainly follow your advice. In fact, we intended to develop an SLR in the future to investigate in depth the different methods which have been used in the prior research. Thank you so much for your interest!

Alexander Kostyuk: Dear Gaetano, I do not think that your word "is" can be taken for as provocative. It is rather a conceptual background you can rely on and proceed to test your hypotheses.

Gaetano della Corte: Thanks a lot, Alex. Your suggestions are very important.

Alexander Kostyuk: Dear Gaetano, I think that your conceptual vision of the board issue is quite strong. Therefore, your further empirical investigation is welcome very much.

Valentina Santolamazza: Dear Gaetano, nice to see you again! I really appreciate your work, especially for the focus on finding a theoretical interpretation of the impact of gender diversity on environmental sustainability. I wonder whether an approach related to institutional theories (isomorphism, decoupling, or even new concepts such as institutional logic and institutional entrepreneurship) could be indicated among future lines of research. This kind of approach is usually used to explain innovations in private and public sector accounting, but maybe it could also be useful in your case! Thank you again for sharing this research and good luck.

Sabrina Pucci: Dear colleagues, your paper is very interesting and touches on a crucial topic.

Imthiyas Yakuban: Hi Federica, first of all, I want to appreciate your effort to choose the topic of gender diversity. I could see the research hypotheses built around gender diversity and preferences in corporate environment. Good effort. Congratulations for it!
To take this study to next level, you may consider to leverage the inclusion of LGBT and in recent years there is a high concentration on race inclusion as well and consideration in the corporate sector.

Loai Ali Alsaid: Thank you, Federica and the paper team, for this interesting topic on "corporate environmental sustainability". It is a new topic, particularly in the emerging field of sustainability accounting research. As a step toward developing the paper, I see from my research experience in this emerging field, that it may be best for you to identify some non-financial key performance indicators (KPIs) against which different environmentally sensitive firms can assess their efforts and contributions to environmental sustainability. As an empirical example in Egypt, there is recent regulatory compliance with environmental sustainability disclosure. This regulatory disclosure is currently based on a multiple set of environmental sustainability KPIs, including reducing air pollutants from boilers and forklifts, effluent disposal through industrial drainage, hazardous solid waste, and non-hazardous waste. Once again, thank you very much for this interesting topic.

Gaetano della Corte: Dear Sabrina, thanks! We appreciate it very much.

Dear Valentina, it is a pleasure to find you again! Our paper is in its infancy, and we will probably implement it by also taking a look at other theoretical frameworks and institutional theories, to make the analysis more complete through an integrated approach. Thank you very much for your interest!

Dear Loai, thank you very much for your comment and your valuable suggestions. We fully agree with your idea of using non-financial key performance indicators (KPIs). We intend to use them in new research that we have already begun to write together with the research team. Therefore, we invite you to follow the developments of our future research, also to get some feedback from you. Thank you very much for your interest!

Dear Imthiyas, we thank you very much for your suggestion. We will seriously consider the possibility of doing research on the topics you have recommended, as they are very current, and also deserve interest from the academic and scientific community. A thousand thanks!

Carlotta D'Este: Dear Federica and colleagues, I see that you suggest to include in the investigation of board gender diversity-environmental sustainability relationship some features related to the cultural and institutional environment. I think that this suggestion is really interesting. Specifically, referring to the Italian context (which, I suppose, you know well), have you ever thought about the peculiarities of family firms, even if listed firms? Indeed evidence exists that female directors in family firms may act as "grey directors", thus sort of "loosing" their distinctive characteristics and aligning to family male directors' preferences.

Gaetano della Corte: Dear Carlotta, as you anticipated, we know well the dynamics of the Italian context and without a doubt, we intend to do some research work also on the theme of "grey directors". Thank you so much for your valuable advice!

Karen M. Hogan: Dear Federica and colleagues, interesting idea and I can see from a gender psychology perspective it makes a lot of sense. You commented above about the gender quotas in some countries and also the minimum number of females on boards to be able to make a difference from a gender perspective. Is there any current research on the difference between CES in countries that have the pink quotas and countries that aren't assuming the condition of triggering quantity of female members is satisfied? Thanks.

Paolo Capuano: Hi Gaetano, the paper is very interesting as it deals with a topic that I have been analyzing for a few months. If you want we can think of a collaboration for a future paper on this topic. I currently also collaborate with the La Sapienza University in the Department of Statistical Sciences.

Gaetano della Corte: Dear Paolo, thank you very much for your comment. We would be very happy to involve you in new research work.

EARNINGS MANAGEMENT AND ASYMMETRIC SENSITIVITY OF BONUS COMPENSATION TO EARNINGS FOR HIGH-GROWTH FIRMS

by Sung S. Kwon, Patrice Gélinas, and Nelson Waweru

Alexander Kostyuk: Dear Sung and colleagues, welcome at our conference forum. You made several interesting conclusions in your study. For example, you said that the findings demonstrate that regulatory changes caused by SOX affect firms' earnings management behaviors and compensation contracts. Later you wrote that they have implications for regulators, managers, politicians, investors, and academics in their assessment of firms' available earnings management methods… Could you outline any thoughts regarding further implications of your study for regulation in certain?

Huan Qiu (Ken): Dear Sung and other colleagues, I have read your paper and do think the paper idea is very interesting, especially for the idea of distinguishing choice of earnings management between rapid-growth firms and slow-growth counterparts. However, I personally think the theory and hypotheses portions still need some additional work. When I read through the paper, I felt like the three hypotheses were individually listed but could not see the connections between these hypotheses. Or in another word, the test of each individual hypothesis is meaningful, but putting together, I don't see what exact story y'all try to tell. Hope this helps.

Chan Du: Dear Sung and colleagues, your study is very interesting by looking at high growth opportunity vs. low growth opportunity firms for pre-SOX and post-SOX period discretionary earning management, sensitivity to bonus compensation, and accounting conservatism. As rapid-growth firms emphasize stocks and stock options compensation as compared to low-growth firms, I wonder in addition to bonus compensation, if you have looked at the sensitivity to CEO stock and options performance-based compensation.

DOES BOARD OF DIRECTORS' REMUNERATION AFFECT BANKS' PERFORMANCE? A BROAD EMPIRICAL ANALYSIS IN THE US BANKING SYSTEM

by Paolo Capuano

Alexander Kostyuk: Dear Paolo, thank you for your contribution to our conference forum. It is very important to fix specifics of a bank when researching the link between the directors' remuneration and bank performance. The USA is still a country where the debate about the Chairman-CEO duality and its influence on the bank performance is still ongoing. What is your vision of this issue?

Panagiotis Kyriakogkonas: Hi Paolo. Very useful research. In my opinion, size of banks and skills and experience of CEOs could be useful variables in your research.

Paolo Capuano: Thank you very much for inviting me to participate in this interesting international conference.

Thanks Alex for the interesting comment. I agree, in fact, for the complete version of the paper I thought of inserting a paragraph describing the general regulatory economic structure of the US banking system. I tried using a very large sample for solid results.

Hi Panagiotis, thanks for the comment. I will particularly take into consideration the valuable suggestions you have indicated. Indeed, it is plausible that previous experiences in the financial sector in general and banking, in particular, could affect the bank's performance. It is an aspect that the literature has not yet produced an unambiguous result. I will make a specific study on this aspect in the part of the paper dedicated to empirical analysis.

Alexander Kostyuk: You are right, Paolo. Previous literature in this field of research still needs to be updated and empowered. I remember very well the time of 2008 crisis and the lack of literature to explain the nature of the relation between the bank performance and CEO compensation. This link is very important to fix.

Paolo Capuano: My idea is to develop the paper also by analyzing the hypothesis the regulatory authorities, by influencing the remuneration policies, can discourage the boards of banks from taking risks that are high compared to those required by shareholders and this could also affect the performance of the bank.

THE INTERNATIONAL EFFECT OF CEO SOCIAL CAPITAL ON THE VALUE RELEVANCE OF ACCOUNTING METRICS

by William R. McCumber, Huan Qiu, and Md Shariful Islam

Huan Qiu (Ken): Hi all, thanks for the participation in the event. Here's the abstract for the paper: "We investigate the effect of CEO social capital, proxied by the CEO network centrality, on the value relevance of accounting metrics for non-US firms, and the roles country-level governance attributes play during the valuation process. We find a strong positive relation between CEO social capital and the value relevance of book equity but a strong negative relation between CEO social capital and the value relevance of earning metrics. Further analysis shows the results are robust with the use of different regression models, and that strong country-level governance quality cannot significantly alter the significant negative relation between CEO social capital and value relevance of earning metrics. Interestingly, we find that the positive relation between CEO social capital and the value relevance of book equity is weakened while the negative relation between CEO social capital and value relevance of earnings metrics is strengthened for firms in developed countries where country-level governance is stronger and institutional investors play a more important role in the market. Overall, our evidence supports the theory that CEO social capital has both "positive" and "detrimental" effects on firm and market outcomes". I have also attached a PowerPoint slide (with results) to the message. Please feel free to discuss/comment/criticize the paper. Thanks in advance.

Alexander Kostyuk: Dear colleagues, we appreciate your participation in our conference forum. You made a solid conclusion in your study about a strong positive relation between CEO social capital and the value relevance of book equity and a strong negative relation between CEO social capital and the value relevance of earning metrics. Could you give your insights into why the value relevance of earning metrics is not sensitive to CEO social capital?

Huan Qiu (Ken): Thanks, Alex, for your comments and questions. In our study, a (somewhat) strong positive relation between CEO social capital and value relevance of earnings metrics exists in firms from developing countries, but not in the firms from developed countries. To some extent, the finding supports the theory that CEO social capital can play some important "governance" role in an environment with lower governance quality. But we are somehow confused on why we find a strong negative relation rather than a strong positive relation between CEO social capital and value relevance of earnings metrics. The positive relation conforms to theory prediction and the findings of

Luefling et al. (2002). That's why we stated in the contribution portion that the finding from this paper creates a puzzle for the effect of CEO social capital on value relevance of earnings metrics.

Alexander Kostyuk: Yes, Ken Qiu, that is why I find your study extremely important. Your statement "we are somehow confused on why we find a strong negative relation rather than a strong positive relation between CEO social capital and value relevance of earnings metrics" is a key result. Probably, you have just discovered the fact that previous practices and theory of corporate governance ignored remarkably the contribution of social capital, both CEO and directors. This is a new stream of corporate governance research you picked up.

Huan Qiu (Ken): Thanks for your comment and positive feedback, Alex. According to literature and our past research experience, CEO social capital does have both positive and negative effect on firms' outcomes, so it is interesting to find that country-level governance quality can not significantly alter the effect of CEO social capital on value relevance of earnings metrics, and that the CEO social capital somehow plays an important "governance" role in an environment with lower country-level governance quality. Similar to previous literature, we do find mixed results towards the effect of CEO social capital on firms.

Alexander Kostyuk: Right, Ken Qiu, in this context it could be important both for theory and practice of corporate governance to find out if the effect you found is an international or national phenomenon.

Chan Du: Dear Ken and colleagues, I find your research findings very timely and interesting. Your results show that, in general, CEO social capital increases value relevance of book value, but it decreases value relevance of earnings. In addition, this increased impact of CEO social capital on value relevance of book value is significantly reduced for countries with stronger corporate governance as compared to weaker governance (Table 5). On the other hand, this decreased impact of CEO social capital on value relevance of earnings is statistically insignificant for stronger v.s. weaker governance (Table 5). As the sample period ranges from 1998 to 2017, I wonder if you can look at the trend of the CEO social capital on value relevance of book value and earnings. In addition, robust tests using alternative measures of value and earnings may provide additional insights.

Huan Qiu (Ken): Thank you, Chan, for your feedback and great suggestions. In my un-tabulated test, I have tried alternative measures of value and earnings, but all the results hold.

MEASURING CORPORATE GOVERNANCE DECISIONS AND PERFORMANCE WITH FINANCIAL ANALYSIS IN PUBLIC ACCOUNTING DATA OF LGOS IN GREECE

by Michail Pazarskis, Stergios Galanis, Konstantinos Mitsopoulos, and Panagiota Tsapkini

Alexander Kostyuk: Dear Michail and colleagues, welcome to take part in our conference forum. Your intention to compare municipal and corporate governance is extremely interesting. From the point of view of main actors of both practices the results of such a comparison could be important for both. What practices or standards of corporate governance could be implemented in practices of municipal governance?

Panagiotis Kyriakogkonas: Hi Michalis. One of the most interesting topics. Based on recent news on bankruptcies of companies that are owned by municipalities, research of CG mechanisms with emphasis on monitoring mechanisms in place of such companies could be extremely useful.

Maria Testa: Hello Michalis. Your work is very interesting. Have you considered studying how LGOs communicate their results on their strategy of action? Because this aspect could open to several considerations.

Stergios Galanis: Dear Alex, it is a great honor for us to be a part of the "Corporate Governance: Theory and Practice" International Online Conference. The following is a set of good practices for promoting corporate governance in local government: integrity and ethical behavior commitment, effective risk management policy, defined roles and responsibilities, convergence of objectives and strategies, measuring performance and making decisions, accountability.

Hello Panagiotis! Thank you for your comment. Indeed, the companies that belong to the municipalities are a very special case. In fact, in Greece, a municipality may have a public benefit company, an SA, and a special purpose company for the management of water supply and sewerage. Especially the SA companies that are bankrupt as well as the SA companies that are composed only of private funds have a great need to apply corporate governance practices to achieve good governance (see also our previous extended abstract:
Pazarkis, M., Koutoupis, A., Kyriakou, M., & Galanis, S. (2021). Corporate governance & internal audit at Greek municipal enterprises in the COVID-19 era. In S. Hundal, A. Kostyuk, & D. Govorun (Eds.), *Corporate governance: A search for emerging trends in the pandemic times* (pp. 119–125). https://doi.org/10.22495/cgsetpt21).

Good evening Maria! Indeed, how municipalities communicate their results in shaping their action strategy is a very important issue. In our opinion, the correct reading of the results of a municipality can lead to an extremely successful strategy of action, which in turn will lead to the improvement of the overall image of the municipality. In our publication at the conference, we examined the financial results of the municipalities that occupied us measuring corporate governance decisions and performance but we did not specialize in how they can shape the strategy of their action. In any case, it is a good idea to expand our research. Thank you sincerely for your comment!

ESG FEATURES IN FINANCIAL INSTRUMENTS: A CHALLENGE FOR THE ACCOUNTING TREATMENT

by Sabrina Pucci, Marco Venuti, and Umberto Lupatelli

Alexander Kostyuk: Dear Sabrina and colleagues, it is great to see your contribution to our conference. You said that the main issue is if it needs to separate ESG features from the basic financial instruments. It seems to me that the ESG concept itself still needs more attention of the companies and regulators. Do not think that an answer to your question depends sufficiently on the pace of introducing the ESG concept worldwide?

Sabrina Pucci: Dear Alex thank you for the question. I agree that the absence of a worldwide concept for ESG and for green and social bond is an issue.

At the same time, it is necessary to understand if an ESG factor influences or not the risk and the value of a bond. Indeed this has an important impact on the result of the SPPI test and on the comparability of the profitability of different companies. We had found a data bank in which it is possible to study the different bond issues divided by sectors. This information can help us to find a more common approach and to define a possible solution.

Maria Testa: Dear authors, your work is really interesting. Particularly, I read in it the crucial sentence "The main issue is if it needs to separate ESG features from the basic financial instruments". I think that this is a crucial issue and it will also be necessary to deal with empirical analyzes.

Sabrina Pucci: Thank you, Maria. An empirical analysis on this aspect is very important. We are working on some green and social bonds issued in different sectors and in different countries to evaluate if this separation is possible and which are the main ratios or criteria to split the instruments into components when this provides useful information.

Maria Testa: By selecting papers for my review, I collected interesting analyzes on the subject. Topic is very current. I wish you good work (and I hope to read it soon).

Sabrina Pucci: Thank you, Maria. If you want, we can remain in contact.

Valentina Santolamazza: Dear Professor Pucci, dear Authors, the work is very interesting and denotes a technical approach that shows the great knowledge you all have on accounting issues.

I had the opportunity to explore the topic of sustainable bonds and I was impressed. I noticed that besides green and social bonds, there are other types that are constructed differently (sustainability-linked bonds, SDG-related bonds, blue bonds, to name a few). Do you think it is possible to develop an accounting standard that takes into account the different types, or is it first necessary that all types of sustainable bonds are defined and described in special frameworks? Thank you and good luck with your work!

Maria Testa: I am very pleased. Our studies touch on different aspects.

Sabrina Pucci: Dear Valentina the real effort and challenge is to create a single accounting solution that permits to compare the impact on profit or loss if there is any) of different type of ESG-linked instruments. Obviously, a common framework for these instruments could help but we are not sure that it will be possible to release it in a short time.

Valentina Santolamazza: I definitely agree. Thank you!

Mehtap Eklund: Very interesting topic. Thanks for presenting it. A quick question about the status of ESG in IFRS 9. Are there any estimates about when this proposal will be implemented as a new rule of IFRS 9? How about the US GAAP? Is there any change over there? Thanks for keeping us updated on this interesting and timely topic.

Karen M. Hogan: This study will be an interesting one to read when complete. Especially, when you consider that it is very likely that financial instruments which have a higher ESG as it relates to their credit score could have a statistical impact on their cost of funds in the market. Of course, this assumes that the credit agencies will do a better job of establishing a metric that builds ESG systematically to all ratings.

Sabrina Pucci: Dear Mehtap, thank you for the questions. IASB staff has issued some papers to debate the relation between ESG features and financial instruments and is trying to reach a tentative decision to vote on the board. You can find some of these papers on the IASB site. EFRAG is following the process and is looking for inputs from its constituents. Also, FASB recently published an educational paper and some other analysis on financial ESG features and their impact on financial statements.

Mehtap Eklund: Thanks a lot. How about the US GAAP side? Any initiative there? Thanks for your response.

Sabrina Pucci: Dear Mehtap, there are some analyses also done from the US GAAP side. For example, recently they tried to reach a decision if to add or not a project on accounting for financial instruments with ESG-linked features to the technical agenda.

Dear Karen, thank you for your interest in our paper and thank you also for your comment on the credit agencies. I will be very happy to send you the final paper.

Loai Ali Alsaid: Thank you, Sabrina and the paper team, for this interesting topic. The topic (ESG disclosures) is a new direction in modern sustainability accounting research, particularly by investors, regulators, and other stakeholders. ESG disclosures are now a new non-financial reporting tool, not only to increase the transparency of financial markets but also to achieve political legitimacy and sustainable corporate governance. However, I would like to draw your research attention to the importance of presenting your empirical data with a strong and purposeful theoretical framework (e.g., institutional theory, institutional logic theory, institutional work theory). Also, in your analytical framework, you should explain the political, social, and economic pressures at the field level that can be an institutional and legitimate tool for reporting ESG activities. In other words, as a step toward the theoretical development of the paper, it may be best to explore the 'institutional dynamics' between field-level institutional enforcement of sustainability reporting and ESG disclosures at the organisational level. ESG disclosures are now seen as a regulatory practice within organisations. Once again, thank you very much for this interesting topic.

Sabrina Pucci: Dear Loai, first of all thank you for comments. I totally agree with the importance of new non-financial reporting for a lot of stakeholders and also with the necessity to build a strong theoretical framework in which empirical data will be presented. Thank you a lot for your latest comment referring to the "institutional dynamics"; we consider it with attention in the final version of the paper.

COVID-19 PANDEMIC AND ITS IMPACT ON THE ACCOUNTING PROFESSION

by Stergios Tasios, Evangelos Chytis, Evangelia Proniou, and Alexandra Charisi

Panagiotis Kyriakogkonas: Hi Stergios. Interesting topic with interesting and valuable and valid results. New legislation like MyData or the digitalisation of Greek tax system during pandemic was taken into account in your research, in terms of workload to accountants?

Dmitriy Govorun: Dear colleagues, thank you very much for sharing your results with us. It is obvious that COVID-19 has influenced the workload globally. "Most of the respondents report, due to the pandemic, an increase in their working hours (71.6%) and a significant increase in the level of working stress (81%)". I was wondering whether you have studied the respondents' feelings about their performance level after increasing the working hours. I've noticed that some professions from IT received additional sources of income within the additional working hours per head. It would be interesting to know whether the performance level and stress level are dependent in case of the mentioned survey.

Stergios Tasios: Dear Panagiotis, thank you for comments. We addressed a broad question in order to cover all the applications developed by public administration and not only tax operations. The digitalisation in tax and accounting services is a very interesting topic since it is expected to alter significantly the accounting profession. We plan to expand our research in these fields as well.

Dear Dimirtiy, thank you for your insightful comments. Unfortunately, we did not expand our survey to the feelings created by participants by the increase in their workload. Some interviews with the respondents in a second stage could supplement the results and shed light on these issues.

Mehtap Eklund: Timely and interesting research topic. I just wonder how you developed the survey since it is a new topic and I assume that it is hard to find an established survey in the literature. How have you tested the robustness of the survey?

It would be interesting to write another paper with your survey for a comparative study — the USA and Europe comparison. Just an idea for you for further research. As far as I know from the Big 4 audit companies here, COVID-19 has various impacts on their business and working routine in the USA, as well as Greece. However, the key issue here, if you developed the survey, you may come up with some kind of factor testing and Cronbach's alpha scores to illustrate the robustness of the survey. Then, it is a very interesting and timely study. Looking forward to reading the published version.

Stergios Tasios: Dear Mehtap, thank you for your question and comments. We received the last answers to the questionnaire by the end of April 2022 and this is the first analysis of the results. Factor analysis will be considered, thank you for your suggestion.

FIRM IDENTITY AND IMAGE: STRATEGIC INTENT TO ACT SUSTAINABLY AND THE OPPORTUNISTIC ANTECEDENTS TO SUSTAINABILITY REPORTING

by Ranjita Singh and Philip R. Walsh

Mythili Kolluru: It's very interesting. Is there a PPT to view?

Alexander Kostyuk: Dear Philip and Ranjita, thank you for your participation in our conference forum. Corporate sustainability reporting is an issue of urgent public concern. Many companies still ignore this issue. What do you think about the most important incentives for companies to introduce it or to ignore? What is the role of the regulation to speed up the process of implementation of corporate sustainability reporting?

Philip R. Walsh: Good morning from Canada! In regards to Mythili's comment, there should be a ppt to view somewhere and that file includes an audio commentary. If it is not available for some reason to you, here is the shared folder link to allow you to access it: https://drive.google.com/drive/folders/1uhlCBljEBK-_jvx0jKmQDZJMiZDR82Et?usp=sharing

For Alexander, your questions are excellent ones. Before I specifically comment, I wish to point out that there are regional and industry influences that relate to what might incentivize a company either way in terms of reporting as well as differing approaches to regulating reporting. Our study was contextual in that it is from Canada and that it relates to the largest publicly traded companies in the country. Their incentive currently is not related so much to regulation that requires it; rather they are incentivized by their stakeholder community who can influence their financial bottom line. For example, investors are concerned about environmental and social liabilities that the companies they invest in might have, ultimately devaluing their investment as shareholders sell the stock to avoid that risk. This is quite common with publicly-traded extractive sector firms (a significant number of large publicly traded Canadian companies) who have taken the lead in sustainability reporting to let those stakeholders know how they are managing these liabilities so as to put them at ease. Of course, our research has pointed to the voluntary nature of this reporting and the absence of reporting on a number of relevant measures, especially by large firms who easily dismiss the need to report on the measures they feel are outside of their control within their supply chain. I like to point out that financial service institutions, i.e., banks, who will internalize their sustainability reporting and report on things like primary carbon emissions, do not reflect on their customer's carbon impact or environmental footprint, believing that it is the responsibility of their clients to look after that. But is it not reasonable for a bank to understand the carbon impact of loaning money to companies who may not be behaving as sustainably as society would like? Or raising funds from institutions that do not disclose their own environmental and social impact of their operations. We have not provided either regulations or incentives to promote this level of disclosure, and large investors in the banks and other financial services firms buy into the idea that these firms are responsible only for their primary value chain and that there is no need for a full life cycle analysis of the sustainability of the firm's operations that includes their suppliers and their customers. So, without specific regulation (which arguably needs to be pan-global and is unlikely to be so) we remain stuck with greenwashing or non-disclosure for any firm where being sustainable is not a principal part of their business strategy.

Alexander Kostyuk: Thank you, Philip. Your point of view is absolutely clear to me. So, I see that you support the important role of the regulation. At the same time, you mentioned that you hardly believe that such global regulation is possible to happen. Why do think so and what is the way out? National regulation or probably further promotion of benefits of corporate sustainability reporting to the shareholders?

Philip R. Walsh: I wish we could see a way clear to global regulation but state economies vary so that concerns regarding the economic impact of regulation related to sustainability reporting may be of greater concern to some. For example, those economies dominated by sovereign oil and gas production where governments receive a significant economic benefit there would be concern about the political impact that environmental sustainability reporting would have — perhaps being more about how economic trade would be impacted by political resistance with their trading partners. The same would go for state-controlled economies such as China where social sustainability reporting could lead to increased exposure to criticism in the countries they trade with. There is no easy way out on this, as long as investment capital is driven principally by return on investment (other research of ours has indicated that is the case and most sustainable funds are dominated by the same companies that make up other traditional investment funds so their returns mimic the traditional returns), political risk remains the only barrier to moving capital into lower regulation, lower-cost jurisdictions. For shareholders that care, there is a move towards divesting environmental and social liabilities. We are seeing an example of this in regards to the oil and gas sector. While large publicly-traded oil and gas companies (Western-based for the most part) are shedding their GHG-emitting fossil fuel assets, it is the state-owned oil and gas companies who are buying these assets for security of supply for their own economies. For shareholders that don't care, there is a move to privatizing companies in order to avoid the oversight of exchange regulators. So, governments must weigh these market responses against the level by which they can implement regulation to provide transparency regarding environmental and social impacts (liabilities), i.e., requiring sustainability reporting. The best way to start is for the rich world (the dominant resource consumers) to require life cycle assessments (the only truly valuable kind of sustainability reporting) of all products in order for them to be consumed in those countries (in much the same way as we currently label nutritional values) and to tax products based on their environmental footprint. Of course, let's see how the retailers respond because they are sensitive to the effect that price increases have on consumer purchasing habits. Also, even in rich countries consumer push back will also have political consequences, just ask the French and the yellow vest rebellion. But, if we wish to save this planet for future generations while maintaining population growth and related economic growth then this is part of the cost of doing that.

Loai Ali Alsaid: Thank you, Philip and Ranjita, for this interesting topic. Examining sustainability reporting, especially after recent regulatory changes for sustainability and non-financial reporting, is interesting. However, in my opinion, your empirical data still needs a meaningful theoretical framework to translate your empirical message into theoretical meanings and vocabulary. As it stands, your empirical data is 'raw' data, and to make sense, using a theoretical framework is important. Once again, thank you very much for this interesting topic.

Karen M. Hogan: Hi Philip and Ranjita, a very interesting topic. I guess giving the external impression of sustainability is perceived as sufficient. The reality of what is done to create wealth may not coincide with the appearance you are giving to the market. Without regulation, until the stakeholders start to penalize the company I guess this is what we are left with. Thank you for the thought-provoking work.

THE EFFECTS OF REGULATION ON SOCIAL AND ENVIRONMENTAL REPORTING

by Gianmarco Salzillo, Emilio Farina, and Caterina Cantone

Raffaela Nastari: Hi, the topic of the paper and the methodology are very interesting. It appears from the analysis that companies have seen a huge increase in their interest in socio-environmental issues, but despite this, there is this regulatory gap, do you think it is an explicit desire to let the sector go freer? I think at the regulatory level something is moving, just think of the Corporate Sustainability Reporting Directive (CSRD), a proposal published on April 21, 2021, by the European Commission to overcome the limitations presented by Directive 95/2014, the new standards. Perhaps you could explore this further in the future.

Yan Wang: Hi Gianmarco and colleagues, very interesting research on ESG reporting. I think that the main contributions of this paper should be highlighted and research questions can be refined, for example, R1 is quite broad.

Gianmarco Salzillo: Hi Raffaela. Thank you for your comment. Regarding the first question you asked, I think that the desire to allow freedom of expression with regard to socio-environmental issues still remains. It is clear that the process is not yet complete, so the effects analysed within this work are partial. As you have written, there is a new directive that could have different effects on social and environmental disclosure, and there is ongoing work to create reliable standards that will best guide companies in making social and environmental disclosures. I think the challenge is precisely this, to be able to regulate issues that are now fundamental within a company, without greatly incentivising greenwashing and Arkelof's lemon problems. As for your suggestion, I thank you and will certainly have the opportunity to analyse the effects of the new directive in the future.

Hi Yan, thanks for your suggestion. I will try to highlight the paper's contribution and refine R1. Although R1 is voluntarily broad as it highlights high support of the Directives in favour of socio-environmental issues in a mainly economic/financial context such as annual reports.

Maria Testa: Dear Gianmarco, your work is very interesting. I wonder if the issue of decoupling emerged in your study, which could arise when socio-environmental issues within annual reports are mandatory.

Gianmarco Salzillo: Dear Maria, the paper is unable to bring out this issue as it aims to analyse the effects on social/environmental communication alone, without exploring the correlation issues between respect for the environment and the pursuit of economic/financial objectives. It would be interesting to analyse this issue in the future, in a more standardised context and with a smaller regulatory gap than at present. Also, thank you for your comment.

Loai Ali Alsaid: Thank you, Gianmarco and the paper team, for this interesting topic. Examining the potential effects of regulations on social and environmental reporting is a new addition to the existing literature on sustainability and non-financial reporting. However, as further development for your empirical analysis, it may be better to include some non-financial sustainability 'indicators' with which decision-makers can assess differences in the quality and quantity levels of social and environmental disclosures. Social and environmental disclosures/sustainability reports have become a political tool for promoting financial markets (investors, regulators, and other stakeholders) with more non-financial information. Also, as an attempt to advance your paper, here is the link to a special issue recently published in the 2022:
Venturelli, A., Fasan, M., & Pizzi, S. (2022). Guest editorial Rethinking non-financial reporting in Europe: Challenges and opportunities in revising Directive 2014/95/EU. *Journal of Applied Accounting Research, 23*(1), 1–7. https://doi.org/10.1108/JAAR-02-2022-265
Once again, thank you very much for this interesting topic.

Gianmarco Salzillo: Dear Loai, thank you very much for your valuable intervention. The work is at a preliminary stage and opens up obvious integration scenarios, which I hope to be able to exploit in the future to improve the line of research. I will certainly take into account the possibility of integrating non-financial indicators in the future. At the moment, I have not taken these indicators into account due to their extensive heterogeneity.
I will gladly take a look at the linked special issue, the topic is new and complex and you never stop learning. Thanks again for your comments and suggestions.

Emilio Farina: Hi, thanks to everybody for comments and suggestions.

CIRCULAR ECONOMY DISCLOSURE BY AGRI-FOOD COMPANIES

by Raffaela Nastari, Sabrina Pisano, and Matteo Pozzoli

Maria Testa: Hi Raffaela, interesting paper. Maybe you could focus your attention on a longitudinal analysis in the future.

Dmitriy Govorun: Dear Raffaela Nastari, Sabrina Pisano and Matteo Pozzoli, thank you very much for taking part in the discussion regarding disclosure issues. It was interesting to read and to get introduced to the approach you used to analyze the CE disclosure by the agrifood industry. I also support your idea to compare or study several samples from other industries. That may strengthen conclusions about suggestions on special guidance. This will also show you the way to go deeper about the following: "The results show that companies disclose little information on CE. The majority of information released concerns the reduce dimension. Fewer data are provided on the recover, recycle and reuse dimensions". Perhaps, you may also find the data and/or factors influencing the absence of disclosure regarding "recover, recycle and reuse" aspects. Perhaps that may be not a choice of a single company but the issue of the whole industry. Have you tried to look into other industries?

Panagiotis Kyriakogkonas: Hi Rafaela, interesting and emerging topic. A linkage between your research with sustainability reports content requirements could be useful for optimising its content in the future.

Mythili Kolluru: Hi Rafaela, interesting paper and methodology. So did you consider using IDF — inverse distribution frequency table to develop the word cloud? So, is it easier to identify the thoughts that strongly resonate with your paper?

Raffaela Nastari: Hi Maria, thanks for your advice!

Dear Dmitriy Govorun, we thank you for your kind attention and advice. In our study we noted, according to your idea, that it is a problem of industries in general not disclosing much non-financial information, but it is increasingly emerging in agri-foods that should instead in their interest, also to reassure consumers be more open to disclosing. Perhaps by submitting interviews in the future we will have a better understanding of what factors are driving the failure to report on recovery, recycling, and reuse.

Hi Mythili Kolluru, thanks for your attention. Yes, the chosen methodology facilitated the analysis of words in the sustainability reports analyzed in the sample.

Hi Panagiotis Kyriakogkonas, thanks for your attention and advice. It's a good point for reflection.

Dear Maria Testa, thanks for your attention. In the future, we will probably follow a longitudinal analysis to strengthen our thesis.

Silvia Macchia: Dear Raffaella, Sabrina and Matteo, firstly, thank you for your very interesting contribution to CE disclosure issues. I firmly believe that these kinds of studies are beneficial for researchers and practitioners interested in the field of CE. Concerning your paper, in my opinion, it would be better to slightly modify your initial statement about the objective of your study. You state that your research purpose was "To investigate how companies incorporate circular economy (CE) in their business models in order to achieve sustainable development" but, unusually, you prefer not to develop a case study or even a multiple case study to investigate the research topic. Instead, you search for evidence by looking at CE disclosure, assuming that the more a company uses the CE selected words in a sustainability report, the more CE operations have been incorporated into its business model.
Moreover, you investigate the availability of sustainability measures (in terms of CE words) in a compulsory sustainability report, according to Directive 2014/95/EU.
I'm pretty sceptical about the appropriateness and effectiveness of this method to investigate your research question. Usually, when dealing with research questions that investigate "how" a phenomenon develops, according to Yin (2018), it is preferable relying on qualitative research methods such as case studies. This method allows researchers to explore the topic under investigation from a dynamic observation point, enabling them to go beyond 'the great picture' provided by quantitative methodology. Although content analysis can be considered a qualitative investigation method, when it focuses on interpreting and understanding a phenomenon, you are using it as a quantitative one as you count and measure CE words' weight. Instead, the opportunity to give attention to business practices, being scrupulous with details, and having access to multiple viewpoints are the main benefits of case study methods (Scapens, 1990; Corbetta, 1999). A well-designed case study increases and enriches the researcher's ability to understand and highlight the intertwined relationships between a company's practices, business model and related accounting system (Emory & Cooper, 1991).
According to this consideration, I see your work as a valuable pilot study (a kind of first exploratory investigation) that, based on sustainability disclosure, explores the involvement of the selected companies in CE practices. However, since I see this study as an exploratory one, I would

carry forward the research project by putting beside your results an additional investigation on the effective use of CE practices in the companies that have disclosed abundantly or scarcely CE use in their sustainability report. In this way, you could also start investigating additional issues related to sustainability information, as the "greenwashing" problem linked to compulsory sustainability reporting.
Please just let me know if you need the references for the articles I cited.
Good work!

Raffaela Nastari: Dear Silvia, thank you very much for your comment. It's the first research that we are conducted. It would be very kind of you to give us the references for the articles cited.

Silvia Macchia: I'll write you an email later on with all the information you need. Although it's your first paper you're on the right way, good job and talk by email.

Raffaela Nastari: Thank you so much, Silvia, see you soon.

Imthiyas Yakuban: Dear Raffaela, Sabrina, Mateo, considering your study revolves around secondary data, choice of research methodology to use case-study based approach and content analysis is good. To make the study of empirical nature, you may consider including primary data.

Raffaela Nastari: Hi Imthiyas, thanks for your advice.

NON-FINANCIAL REPORTING AND CITIZEN ENGAGEMENT IN PUBLIC SECTOR: A STRUCTURED LITERATURE REVIEW

by Maria Testa, Luigi Lepore, and Sabrina Pisano

Maria Testa: Hello. Thank you for the participation in this event.

Panagiotis Kyriakogkonas: Hi Maria. Very interesting topic. I could propose to link your research with financial literacy institutes that have been established in many countries and education on ESG (for non-financial information included in financial statements) provided by many institutions.

Dmitriy Govorun: Hi Maria Testa! Thanks for sharing your review on non-financial reporting and the public sector. What do you think would be the priority step/steps regarding the reporting and citizen engagement based on the literature you have mentioned in your paper?

Maria Testa: Thank you, Panagiotis. In addition to non-financial reporting, I am also studying simplified reporting (popular financial reporting) and your advice is very interesting. I will develop this idea. Thank you!

Thank you, Dmitriy. Non-financial reporting and simplified reporting have the potential to become adequate information tools for ordinary citizens. However, empirical studies found that there are low selectivity and relevance of the information provided in social reporting. Consequently, several authors argue that regulation in non-financial information disclosures is needed to reduce discretion of organisations and state the need for a framework to be adopted, by also mandatory regulation. I think it is necessary to address auditing and assurance issues; these central research areas are currently under investigated. Thank you.

Raffaela Nastari: Dear Maria, very interesting topic. Why did you focus on local governments?

Maria Testa: Thank you Raffaela. Because local governments are public sector organizations that share a close relationship with the community and they felt more those issues. Indeed, they are organizations that have begun to engage with non-financial reporting and simplified reporting to communicate and discharge their accountabilities using different reporting formats.

Gianmarco Salzillo: Hi Maria, your work is very interesting. But don't you think that the creation of standards by standard setters in the field of socio-environmental communication may make information less accessible for ordinary citizens? Thus reducing the information power of non-financial communication?

Marco Venuti: I see that you're drafting a relevant paper in the current situation in which the local governments pay particular attention to non-financial information. At the moment, do you have evidences regarding:

- the use of non-financial information by local governments inside and outside the EU; and
- the possible future research paths on this topic?

Maria Testa: Thank you, Gianmarco. Local governments' non-financial reports are characterized by heterogeneity of content of the report as well as other aspects; and they are sometimes used as marketing tools.
Standard setters can define thresholds for the significance of the information, in order to avoid indicating "insignificant data" and to reduce discretion of organizations.
Further, these adopted disclosure practices reduce reporting comparability. Comparison is also important for citizens.
I noted that ordinary citizens have a historical sensitivity towards social and environmental issues and this could bring them closer to social reporting.
Even if it is not to be investigated whether the cultural gap suffered by the ordinary citizen also emerges for non-financial reporting.

Thanks, Marco. I am studying numerous papers that have addressed the topic by empirical analysis. These analyzes relate both to the European area and to other continents.

I noted that there are many areas of research that are under investigated. There are broad issues that have not yet been studied in the literature.

To date, the work is not yet completed. Therefore, at this moment, I cannot answer your second question in a complete way.

Loai Ali Alsaid: Thank you, Maria and your presentation team, for bringing up this new topic. It is my understanding, particularly as I am currently working on this research project that the institutionalisation of non-financial reporting practices within organisations is still in its infancy. In your slides, some of the previous literature and early findings are presented as a theoretical framework. I see this is 'not enough' to build a strong theoretical framework. In addition to the literature review, it is also important to broaden the application of theoretical frameworks (e.g., institutional theory, institutional logic theory, legitimacy theory, etc.) to non-financial reporting/sustainability reporting analysis within organisations. Most previous studies have not yet provided purposeful theoretical frameworks and analyses to explain the 'institutional dynamics' between field-level sustainability disclosure pressures and the reporting of non-financial information at the organisational level. Also, from a methodological perspective and beyond what you have mentioned in the presentation slides, it might be best to extend the 'case study' approach to investigate non-financial and sustainability reporting practices in their natural situ. Most of the previous literature has examined sustainability and non-financial reporting using various quantitative research methodologies and methods (eg, survey, content analysis, questionnaire, etc.). This is also a link to a recently published special issue on non-financial reporting in the 2022 *Journal of Applied Accounting Research* (Volume 23, Issue 1, https://www.emerald.com /insight/publication/issn/0967-5426/vol/23/iss/1). Once again, thank you very much for introducing us to this interesting topic.

Imthiyas Yakuban: Dear Maria, your work is amazing and the exemplary work gives good traceability right from the research questions to results and scope for future research.

Maria Testa: Dear Imthiyas, thank you for your comments.

Thanks for your comment which I think it is very useful. So you suggest me to build a theoretical framework also for the review? Regarding the case study, the present work would like to be a review of the literature; I would like to do the empirical analysis in a future research project. Instead, do you suggest me to complete the work with a case study?

SUSTAINABILITY REPORTING: THE WAY TO STANDARDIZED REPORTING ACCORDING TO THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE IN GERMANY

by Patrick Ulrich and Jasmina Metzger

Dmitriy Govorun: Dear colleagues, I would like to welcome all of you and thank you for participating in the conference. Reporting is an important part of disclosure and transparency. Thanks to the authors for sharing the study results concerning Germany. They have pointed out that "The studies examined show that companies still have some work ahead of them to achieve CSRD conformity, because currently, for example, only about 10% of the companies listed on the DAX meet the requirements of the Corporate Sustainability Reporting Directive". I was wondering about the following. Maybe they have no substantial motivation to develop and/or standardize reports? You have stated that almost 10% of DAX companies have met the criteria. Is there any penalty regarding the non-compliance?

Maria Testa: Dear Patrick, your work is very interesting. Are you also going to tackle the auditing and assurance issue? I believe this is a crucial aspect of sustainability reporting in both the private and public sectors.

Patrick Ulrich: Thank you for the message. At the moment, penalties are still only discussed and would be — let us say — not threatening for a big corporation. That is one of the weak points of the directive of course.

Dear Maria. Yes, we will also look at the auditing side, as German auditors at the moment do not really know how to treat the CSRD.

Adam Samborski: Dear Patrick, the issue discussed in the article "*Sustainability Reporting: The Way to Standardized Reporting According to the Corporate Sustainability Reporting Directive in Germany*" is both very actual and extremely interesting. Considerations carried out in the paper are part of the problems of the European Green Deal. You write about it in an extremely interesting way in the introduction. Sustainability reports are very important not only for investors who try to identify risks associated with sustainable development issues, but also for companies themselves. By preparing such reports, companies realize in which areas of their business they can still improve. Such reports also allow companies to compare each other. I also like the part about the status of sustainable reporting in Germany. You also came to some interesting conclusions as a result of your research. In my opinion, it would be worthwhile to conduct such research in the future from the European perspective.

Patrick Ulrich: Dear Adam, thank you. It would indeed make sense to take a broader European perspective.

Loai Ali Alsaid: Thanks to the author(s) for this interesting topic. It is interesting to examine the sustainability reports in the revised corporate sustainability directive (2014/95/EU), which 'mandates' sustainability and non-financial reporting for organisations. However, in my opinion, your empirical analysis should be framed using a purposeful theoretical framework. Furthermore, it may be better to extend your empirical analysis to explain the influence of sustainability reporting institutional enforcement at the field level on the implementation of certain (but multiple) KPIs at the organisational level. The use of these KPIs is seen as a political tool to standardise non-financial information reporting and reduce potential differences in the quality and quantity levels of sustainability disclosures between organisations. Once again, thank you very much for this interesting topic.

FAMILY OFFICES AS A NEW FORM OF FAMILY BUSINESS GOVERNANCE

by Patrick Ulrich and Felix Stockert

Dmitriy Govorun: Hi all, thanks for sharing with us your results in discovering the family offices concept. I would like to ask authors whether you studied performance between families and let's say other types of business governance?

Patrick Ulrich: Thank you Dmitriy for the interesting question. The empirical study is still ongoing. What we found is that family office investments perform than PE investments and normal family company investments.

Dmitriy Govorun: Hi Patrick, thanks for your reply and the detailed classification of types of family business offices. Wish you to finalize the study successfully and share the results during other conference forums. Meanwhile, which variables set did you use or plan to use in your study?

Patrick Ulrich: Dear Dmitriy, thank you. Among other things, we queried family influence, family wealth interests, family investment strategy, investment performance, the existence of a family constitution, and the further development of the entrepreneurial family, and we would like to show performance differences here.

Ilaria Galavotti: Dear Patrick, thank you for sharing your research. I was wondering whether this is a single-country or multi-country study. In case it's the latter, it would be interesting to consider implications deriving from country-level differences at both the institutional and the cultural levels.

FAMILY OWNERSHIP AND M&AS: A SYSTEMATIC REVIEW OF THE LAST TWO DECADES

by Ilaria Galavotti

Dmitriy Govorun: Dear Ilaria, thank you very much for your review on family ownership and M&A and generalizing the three key directions for studies. Which one do you expect has more prospects for your studies and do you prefer to go deep in your research?

Ilaria Galavotti: Dear Dmitriy, thank you so much for your appreciation. I believe that the research avenues that were sketched out in the paper may attract quite a significant number of scholars in the upcoming years. However, in my personal opinion, I feel that exploring the heterogeneity of family firms may not only offer fertile ground to advance academic conversations through new research questions but may also lead to interesting managerial implications. Relative to prior research, which has mostly focused on the family vs. non-family dichotomy, going more in-depth into the family area would provide new insights. Then, of course, I also truly believe that departing from the mainstream and developing some theoretical cross-fertilization would be particularly valuable to the field.

Dmitriy Govorun: Ilaria, thank you very much for your comment and ideas and hope to see the further topics to discuss during the conference forum.

ACQUISITION PROPENSITY IN FAMILY FIRMS: THE MULTIFACETED ROLE OF FAMILY INVOLVEMENT

by Ilaria Galavotti and Carlotta D'Este

Dmitriy Govorun: Dear authors, thanks for pointing out the thoughts about the influence of the family generation and risks. Have you studied the influence of expertise of the family board and its influence on the further decisions? I mean that usually the Board is a reflection of highly skilled (or we presume they are) professionals who actually act and do with the help of their qualification and experience. Family members may have general understanding in some areas. At the same time, they might be better aware of the business model.

Carlotta D'Este: Dear Dimitriy, thank you for your interesting and helpful comment. Actually, we did not include directors' expertise in our analysis, as it is beyond the scope of our paper. However, we acknowledge that this is a crucial point in family firms' corporate governance investigation, as the appointment of family owners on the boards significantly affects corporate governance mechanisms and thus strategic decisions. It, therefore, represents an issue that deserves further attention in the literature.
Indeed, since family firms' boards are commonly characterized by the presence of family members, the investigation of how the board may impact firms' risk levels should include the assessment of directors' expertise. This would contribute to the literature since family members appointed to the board are not necessarily adequately skilled.

Dmitriy Govorun: Hi Carlotta, thanks for your reply and your comment regarding the risk levels and directors' expertise. Once again thanks for the paper. It was very interesting to see the variable as "family generation" and their influence on propensity to acquire. I will be happy to get introduced to the results of your further research as it was stated in discussion section of the paper.

THE INTRODUCTION OF A CONCEPTUAL FRAMEWORK FOR IMPROVING SMALL AND MEDIUM-SIZED ENTERPRISE START-UPS' ACCESS TO EXTERNAL FINANCE

by Nkombe Herman Bamata and Maxwell A. Phiri

Oltiana Muharremi: Hello. It was a very interesting paper. Can you provide also a few recommendations to SME to increase the start-up awareness and management skills!

Nkombe Herman Bamata: Hello, thank you for your input, this is a very good point, I will consider it.

Dmitriy Govorun: Dear Dr. Nkombe Herman Bamata and Prof Maxwell A. Phiri, thanks for your paper on startups. You have pointed out that your research question is about the key determinants that may influence and may better assist in external financing for startups. What is the role of governance structure in accessing financing? Thanks in advance.

Nkombe Herman Bamata: Dear Govorun, thank you for your question. The paper is written in the context of South African SMEs and according to data collected, the majority of South African start-up SMEs are not financed by the South African government. Yes, the government structure is there but the criteria and the procedure put in place do not facilitate start-up SMEs to access government funding. Also, the majority of the respondents are not aware of the existence of the South African policy on financing start-up SMEs.

Dmitriy Govorun: Thank you very much for your comment and more information regarding the funding sources. If we speak generally about SMEs, are they motivated to receive funding to cover operational needs or to rise valuation?
One more question is about your ideas of key points for SMEs startups they should bear in mind to reach more access to external financing. Actually, what are the key challenges for startups?

Nkombe Herman Bamata: Thank you for the question, startup SMEs in this case are defined as businesses that existent for the age of 0 to 5 years. The first category are entrepreneurs who need funding to start businesses, they have businesses that are not fully operational, the second category are businesses that need funding to grow and expand their businesses. Due to entrepreneurial risks these entrepreneurs experience, the sources of funding are very limited, however, they are ready to receive funding for operational needs and increase valuation.

The funding framework as described in the study will definitely help entrepreneurs to reach more sources of external financing and will help them to make appropriate choice of external financing based on their business profile (start-up awareness and management skills). Among the challenges faces by startup SMEs are, access to external finances, skill development. Even when funding is available, low awareness of opportunities and a lack of financial knowledge remain major barriers to SMEs accessing the required support.

REINFORCING THE "REGIONAL PROMOTIONAL INSTITUTIONS AND BANKS" CORPORATE GOVERNANCE: A CONCEPTUAL PAPER

by Marco Tutino, Carlo Regoliosi, Giorgia Mattei, Valentina Santolamazza, and Simone Carsetti

Dmitriy Govorun: Hi colleagues and thank you very much for sharing the concept of regional institutions and banks with us. Which part (element) seems to be the most challenging in relation to the governance model for hybrid structures? Where should researchers and regulators look more carefully?

Valentina Santolamazza: Dear Dmitriy, first of all, thank you for the question. The theme of the regional promotional banks is a trending topic, since nowadays, because of the establishment of the NRRP, there are a lot of resources that should be well-managed, and the regional promotional institutions and banks could play a significant role in this process.
Relating to your question, we consider these entities as hybrids for several reasons. First of all, looking at their governance, it is possible to see that the region is not always the main owner of these entities, and sometimes private actors arise. Secondly, not all these entities are considered financial intermediaries according to the law (Art. 106 Testo Unico Bancario) and are under the Bank of Italy's supervision and monitoring. Third, these entities are subject to dual legislation: administrative and private-civil law, since they are joint-stock companies.

These are, in our opinion, just a few of the reasons to consider hybridity as a way to investigate these entities.

Regulators and researchers should concentrate on devising a governance model capable of managing this hybridity. In particular, we believe that these entities should be companies controlled by the region, eventually together with other public bodies, established as joint-stock companies operating in their own name and on behalf and in the interest of the region. These entities should operate as a facilitating tool for access to financial services for SMEs and micro-enterprises, with the aim of maximizing local utility and entrepreneurial initiative.

We would like to show you more details about our research. Thank you for any comments or suggestions!

Dmitriy Govorun: Hi Valentina, thank you very much for your reply and the presentation. Now it's clear in terms of hybridity and governance of these structures.

MERGERS AND ACQUISITIONS IN THE FOOD AND AGRIBUSINESS SECTOR: NEW ASPECTS AND TRENDS

by Michail Pazarskis, Maria Gatziou, and Zoi Kaitozi

Oltiana Muharremi: Hello. Do you have any intentions to study the pandemic effects on this topic too! With all the challenges in the supply chain industry, I think it will be interesting!

Maria Gatziou: Dear Oltiana, thank you for your comment in relation to our extended abstract. Kindly note that our study examines with questionnaires the effect of mergers during the pandemic period, but you are right, it would be interesting to separately examine merger events inside and outside of the pandemic period and this could be done in the next stage of this research.

Dmitriy Govorun: Dear Michail, Maria and Zoi, thanks for sharing your ideas concerning the mergers and acquisitions in light of cost reduction and additional threats. I was wondering are there any obligations/social obligations to keep workers (not making layoffs) after M&A? Is the situation about agribusiness industry or other industries too?

Gonca Atici: Dear Michail, Maria and Zoi, thank you for handling this important issue. It seems that food and agribusiness will be one of the most important topics in the coming future. We know that monopolies and oligopolies may hurt consumers in terms of increasing prices. I wonder if there is an HHI in your study and if there are any findings on the consumer side. Are there any suggestions to protect consumers' purchasing power?

Carlotta D'Este: Dear Michael, Maria and Zoi, if I correctly understand, you assume that new M&A in the food and agribusiness sector will be mainly driven by financialization issues. I was wondering, though, if you have also considered the potential impact of climate-change policies, or if respondents have mentioned it. Thank you.

Michail Pazarskis: Dear Dmitriy first of all thank you very much for your observation of our analysis. It is indeed very interesting to research more about the M&As meta-period in regard to the layoffs. In our research, we did not examine this aspect as our analysis was on financial issues regarding the pandemic period in the agribusiness and not in other industries as you mention.

Dear Gonca thank you kindly for your comment about our analysis. Please note that our research examines the M&As that took place in the pandemic period, through a thorough satisfaction questionnaire.

There is no such issue in our paper, but it would be such an excellent subject to be examined in future research.

Maria Gatziou: Dear Carlotta as you correctly understood our research is about the dynamics surrounding the large agricultural mergers through a questionnaire analysis. We did not include the climate-change factors in our research. Nevertheless thank you very much for your observation it would be an interesting topic to continue within a future analysis.

IS THERE (A METHODOLOGY TO MEASURE) A CORPORATE GOVERNANCE RISK PREMIUM IN THE CORPORATE COST OF CAPITAL?

by Giorgio Bertinetti and Guido Max Mantovani

Dmitriy Govorun: Dear Giorgio and Guido, thank you very much for sharing your paper with us. It is a pleasure to read about the methodology on governance risk premium and its incorporation into the cost of capital. You have stated that actually governance risk premium may depend on the grade of market completeness and risk allocation in time. Which criteria did you use to evaluate the level of the market completeness? Thanks in advance.

Guido Max Mantovani: Dear Dmitriy, thank you for your interest in our paper and your very clear question. Our concept is to connect market incompleteness with the governance incompleteness (Zingales). If both conditions are true, then a GRP should emerge. For the Italian case, a final esteem of 0.39% GRP makes it concrete the market incompleteness. Should you have any further controlling indicators, please feel free to suggest and we'll do our best to include it into our paper.

Dmitriy Govorun: Hi Guido, thank you very much for your clarifications. Is Italian case typical in other countries, for example? Have you compared such 0.39% GRP with others? Having such information we may also think over other indicators/factors causing governance risk.

Loai Ali Alsaid: Thank you, Giorgio and Guido, for this interesting topic. Building the bridge between "corporate governance risk" and "corporate cost of capital" is a good contribution to the literature. Although there is a very interesting empirical study from the Italian context, there is an absence of 'theoretical spirit' in your empirical analyses. To make your empirical analyses more explicit, you need a purposeful theoretical framework within which you can reflect your empirical data in theoretical language and meaningful vocabulary. Once again, thank you very much for this interesting topic.

Ilaria Galavotti: Dear Giorgio and Guido, the study is very interesting. I would connect to Dmitriy's point and ask you whether your model may be applied also in a cross-country context. Furthermore, I am wondering whether you believe there may be implications deriving from a comparison of GRP across countries. For instance, when analyzing FDI and international corporate growth (through M&As, joint ventures, etc.).

Guido Max Mantovani: Dear Loai, thank you so much for this very fruitful comment. I fully agree with you: the theoretical background must be extended beyond the concept of incomplete contract. Giorgio and I will work on this and any suggestion from you will be very appreciated (and cited, of course). Let;s stay in contact on this.

Dear Ilaria, thank you so much for this comment. An international extension of this test would be really great. Would you be interested to work together on this?

Ilaria Galavotti: Dear Guido, thank you for the interesting idea! Let's keep in touch after the conference. In the meantime, thank you for sharing your research.

ECOMUSEUMS AND WELL-BEING: A RESEARCH PROPOSAL FOR THE *ECOMUSEO CASILINO AD DUAS LAUROS* IN ROME

by Nadia Cipullo

Dmitriy Govorun: Hi Naida, nice to see your paper at the conference. It was very nice to get introduced to the ecomuseum concept. Great to hear that the survey should be done to outline the keywords and identify necessary points for further work with the concept. How many interviews do you expect to handle?

Nadia Cipullo: Dear Dmitriy, thank you for your appreciation and comment. We started by sending a Google form via newsletter. We obtained 36 responses till now, but we are planning to promote the research on the Ecomuseum's Social Media and to add personal interviews in order to increase the sample size and the statistical significance. The research will continue till the end of the year, as we know that it is not very easy to collect data on topics like this and in a not large and limited territory.

Dmitriy Govorun: Hi Nadia, thanks for the clarification regarding the methodology. Did you think about the PPC ADS for making the sample size much bigger and statistically significant? I mean to target the necessary sample for certain criteria? Will be very happy to see the results of the research and the interview outcomes.

Loai Ali Alsaid: Thank you, Nadia, for this interesting topic. To develop this topic further, it may be best to 'link' your argument to sustainability performance indicators. Through my reading and observation of recent regulatory compliance with sustainability reporting, especially in the European Union countries, the presentation and analysis of certain sustainability performance indicators will provide a better and deeper understanding of the potential relationship between Ecomuseums and well-being in local communities and surrounding areas. Once again, thank you very much for this interesting topic.

Nadia Cipullo: Hi Dmitriy, thank you for your suggestion. We did not think to adopt PPC ADS, it is not usual for the ecomuseum to use them because of scarcity of funds. It is a non-profit organization, funded mainly with private and public contributions. But it could be a good strategy to reach more people and we will evaluate it. I will be very happy to share the research results. Thank you again for your interest and useful comments.

Dear Loai, thank you for your interest in the research and your supportive comment. We consider the integration with sustainability KPIs (for outputs, outcomes and impacts) a necessary step in order to monitor future Ecomuseum's activities in the identified areas of wellbeing. Thanks again for sharing your suggestion.

A REVIEW ON BLOCKCHAIN GOVERNANCE

by Gonca Atici

Dmitriy Govorun: Dear Prof. Gonca Atici, thank you for your paper and the ideas you shared with us. I really enjoyed reading a paper related to new technologies and governance. Blockchain as a technology is very interesting in terms of transparency and other practical implications. It is obvious that the technology will go far away from swapping coins between each other. Having algorithms and rules inside it may reduce risks and conflicts substantially. As far as I see your conclusion is that the hybrid governance model seems to cover technical and economic issues. However, have you found the information about the costs of implementation of such a hybrid model? Should we expect that monitoring, maintenance costs would be higher for the hybrid model? Actually, you've mentioned Ethereum network and actually ETH (ERC20) is quite expensive among others.

Panagiotis Kyriakogkonas: Hi Gonca. One of the most interesting topics. I really enjoyed it. How tokens could affect blockchain governance? Do they have the power to affect the implementation of effective CG practices?

Gonca Atici: Dear Dr. Dmitriy Govorun, thank you very much for your interest and question. This study tries to shed light on blockchain governance mechanisms. There are different types of blockchains (as generally grouped under) private, public, and consortium. These different types are preferred for different projects. For example, a public blockchain is employed for Bitcoin and Ethereum which necessitates an open network. Multichain.com is employed a private blockchain as this system requires a closed network.
All these types adopt on and off-chain governance mechanisms. These governance mechanisms have their advantages and disadvantages. For example, in Proof of Work, we generally see off-chain governance. Instead, under Proof of Stake, there is generally on-chain governance. Proof of Stake resolves the side effects of mining on the one hand but might lead to plutocracy on the other. Holding more tokens means having more rights to say which may lead to governing an environment in an undemocratic way. Projects should be implemented both by maximizing the efficiency of digital opportunities and by considering stakeholders competing for interests.

Hi Panagiotis. Thank you for your interest. Your question is so important in terms of creating awareness of the issue. As Ce-Fi (centralized finance) has its governance mechanisms and stakeholders, De-Fi (decentralized finance) also has its governance and stakeholders.

Let's give the example from the case of Bitcoin that occurred in 2018. Bitcoin employs public blockchain which is fully open and distributed. Anyone can participate in the network without permission. Anyone can join the consensus process as a node (computer) in a transparent environment. By implementing off-chain governance, the Bitcoin community was involved in a long discussion on Bitcoin's block size as some of them wanted an increase in its block size to enhance its capacity. The community could not come to an agreement on the issue and a hard fork emerged which led to the creation of Bitcoin Cash besides Bitcoin.

This is an off-chain governance example that is implemented through public discussions, forums, etc. This informal process might be time-consuming and might create a potential fork threat at any time (which will have effects on the market cap of both coins and effects on token holders' wealth, as well).

On the other hand, in on-chain governance, community members vote proposals in a digital way (for example by having tokens of the projects). So this is the point your question is highlighting. When you have more tokens so you can penetrate the system which is beneficial for you but not for the long-term interest of the project/community (competing interest among stakeholders). This is how (there are many other points) tokens and token holders may affect the implementation of CG practices.

The second part of your question is the issue where governance enters the picture again because there are not only token holders but many more stakeholders in a blockchain environment (such as the project team, node operator, application provider, regulator, researcher, and environmentalists).

This paper suggests finding a hybrid way to optimize the benefits of this environment. Of course, I should state that some other blockchain types and some other consensus types will emerge within time (led by needs and advanced technology).

Finally, let me add that the success of De-Fi may change the market cap of Ce-Fi in the coming years.

Panagiotis Kyriakogkonas: Gonca thank you so much for your reply. Short lecture based on research questions applicable to real life. The best combination. I could just add that governance in blockchain might, in the future, take into account not only human actions but actions triggered by software and bots, based on AI.

Gonca Atici: Absolutely, Panagiotis. As you know, smart contracts are small computer programs that contain business logic. It allows defining rules and conditions. If conditions are met, it automatically triggers other actions such as receiving funds or execution of other smart contracts on the blockchain. For example, trade finance can be realized in a decentralized environment by employing smart contracts and IoT sensors besides the major actors such as exporters, importers, ports,

notaries, and logistic providers.
Here is a current example. XDC Network is a hybrid blockchain that has developed by XinFin, a Singaporean company. TradeFinex is a decentralized platform that runs on XDC Network operating in the global trade finance market. XDC Network aims to reduce friction among a complex group of actors in trade finance and expands access to trade financing for SMEs and creates yield opportunities for investors.
Standardized documents and agreements are moved to smart contracts so transactions are aimed to be settled faster. It takes advantage of private blockchain in terms of data privacy and public blockchain in the transaction verification on a shared public ledger.
These case studies seem to increase in the coming future. But communities should also be aware of the potential threats such as the attack on Ethereum Blockchain. Blockchain is not exempt from vulnerabilities such as hacks, and malicious software. This means that both technology, and human so governance issues should be enhanced and optimized in the De-Fi environment. Thank you very much for your interest, Panagiotis.

Panagiotis Kyriakogkonas: Thank you so much. Really enlighting discussion. I appreciate your time to discuss. One last question. Parameters of AI smart contracts should be included in CG mechanisms? Could these affect sound CG practices?

Gonca Atici: You are welcome, Panagiotis. Thank you for all your crucial questions. Currently, on-chain governance refers to a system of rules that are encoded directly into the underlying technological framework responsible for enforcing them. It consists of rules that may affect the operation and future of these systems. These rules are more formal, strict, and efficient than off-chain governance rules since they are clearly codified and automatically enforced according to defined processes. Besides, these systems are more auditable and verifiable because of the features of blockchain. But on the other side, they are less adjustable to changing or unforeseen circumstances which tells us that they can not be proactive in each case. But in the near future, AI parameters (or machine learning) may also be integrated into several processes to enable sound governance mechanisms.

Mehtap Eklund: Merhabalar Gonca Hocam. It is a very interesting topic and I really wonder how corporate governance monitoring works with blockchain. I am in the area of CG, but blockchain is a relatively new topic for me. Thus, I am interested to learn how you analyzed the different features of blockchain governance in your paper? Just as a suggestion, it would be better to mention your methodology and method in your abstract shortly. Have you conducted a survey? If you performed a case study, why did you only select a single case and why did you select

TradeFinex by XDC Network? Just asking out of curiosity to learn the concept. Thanks a lot for presenting your interesting manuscript.

Gonca Atici: Dear Mehtap Hocam, thank you for your interest and question. CG of blockchain is an ever-growing tech-dominated field. Each day we confront a new concept, a new dimension, and a new technique of the issue. This paper explores different layers of this complex issue and tries to shed light on the difference between governance by blockchain and governance of blockchain. It is even difficult to find case studies for new blockchain types in real-world practices. This case study is a unique one in its field and has a real-world implementation that may fill a gap in trade finance. In the coming years when enough data is accumulated surveys might be conducted by academics as well.

Loai Ali Alsaid: Thank you, Gonca, for this interesting topic. "Blockchain" is not only a new concept but also a modern technology in sustainable corporate governance and accountability. As observed, this study places special emphasis on the technical and economic aspects of this concept. This is an interesting addition to the existing literature. But, from my reading and observation in this field, there are also other political, social, and cultural aspects to implementing blockchain as a sustainable governance technology. Moving forward, as a further theoretical development, this study can be extended to analyse the potential influence of multi-faceted cultural dimensions on the implementation of this mechanism (herewith, blockchain) as a modern technology for governance and government. Once again, thank you very much for this interesting topic.

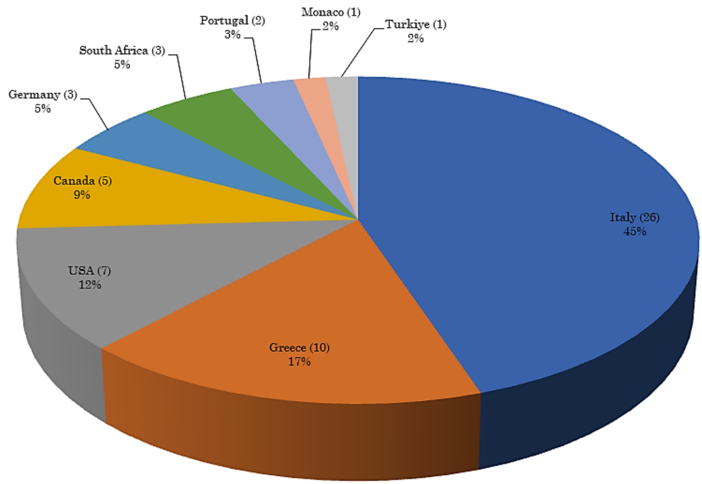
Gonca Atici: Thank you very much Loai. Absolutely yes. Moreover, several central banks are busy in terms of developing their CBDC (Central Bank Digital Currency) on blockchain which may affect the intermediary roles of financial institutions, monetary policies of countries, types, and definitions of money, and seigniorage of Central Banks. We expect to see blockchain applications in accounting, auditing, healthcare, insurance, voting, art, and many more areas. In all these fields, technology and governance issues should be considered together. We might see a reciprocal interaction between Ce-Fi and De-Fi governance. So all these potential changes might have repercussions on culture as well.

Mehtap Eklund: "Governance by blockchain" and "governance of blockchain" sound really interesting. What is the main difference between them? If I am allowed to ask.

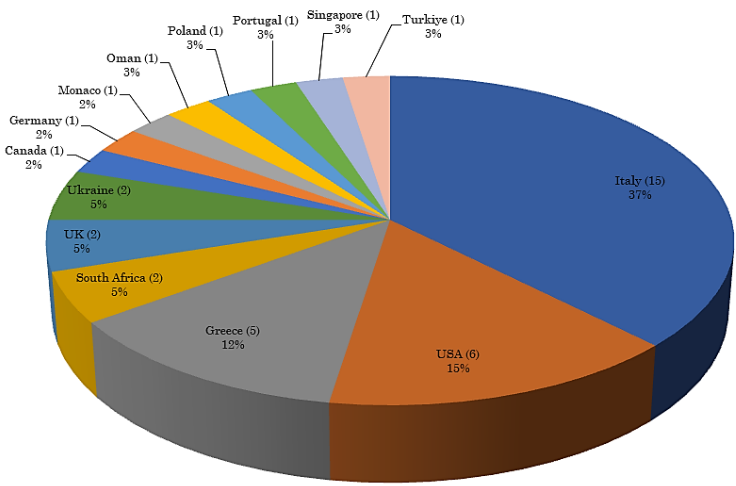
CONFERENCE INFOGRAPHICS

1. Conference forum participants, discussants, attendees

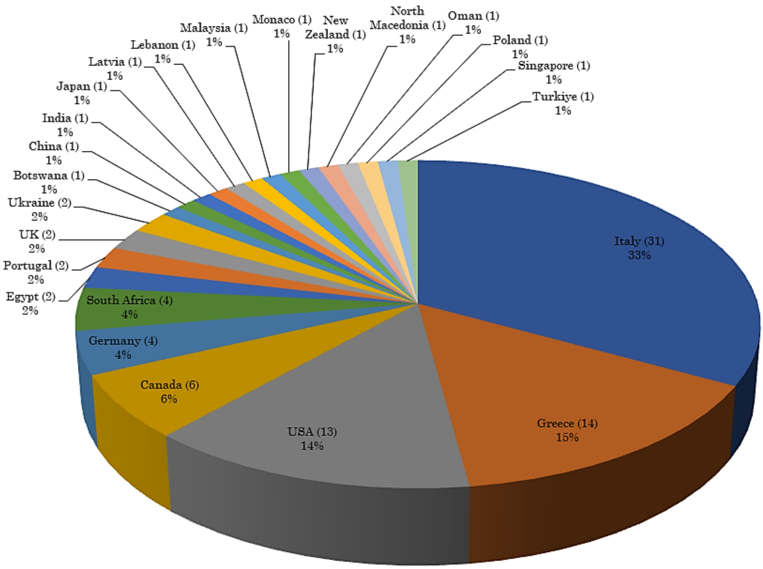
Conference forum presentations authorship — geographical representation



Conference forum comments authorship — geographical representation

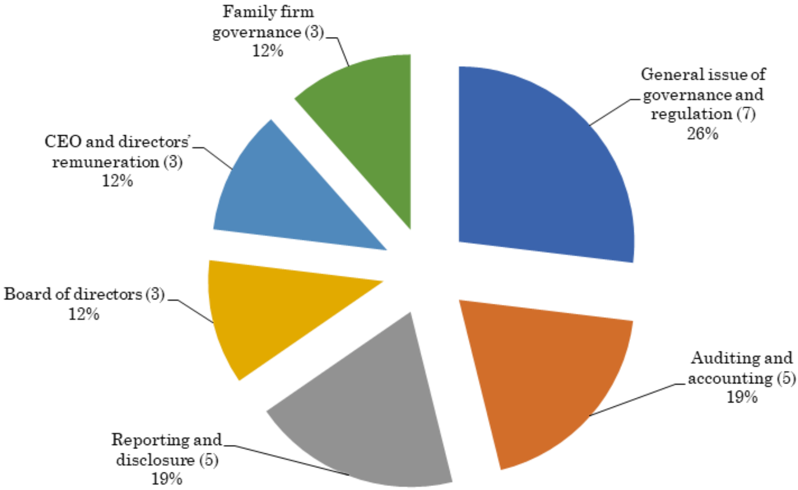


Conference forum attendees — geographical representation

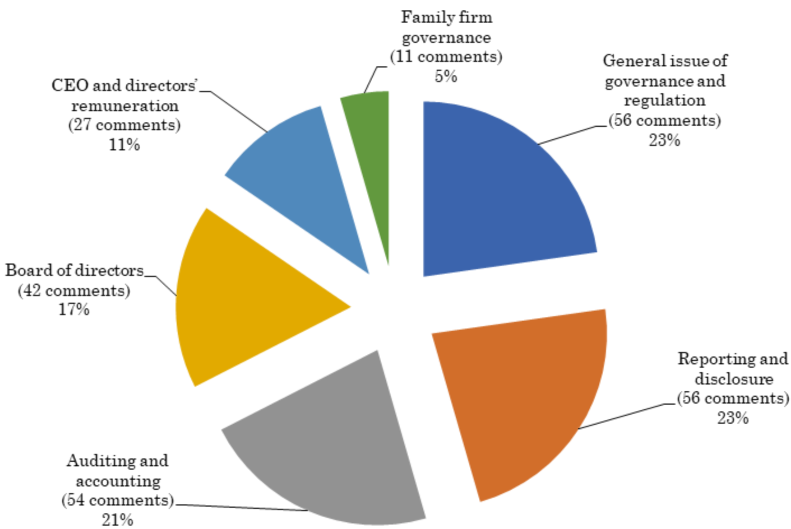


2. Conference forum presentations and comments

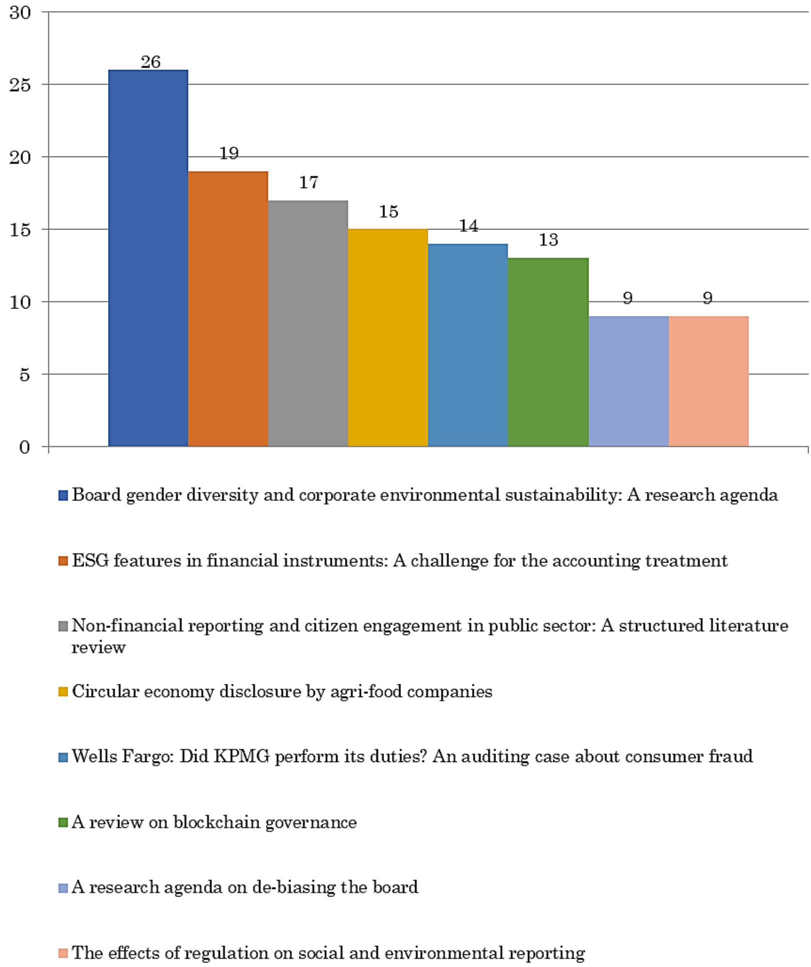
Topics of the conference forum presentations



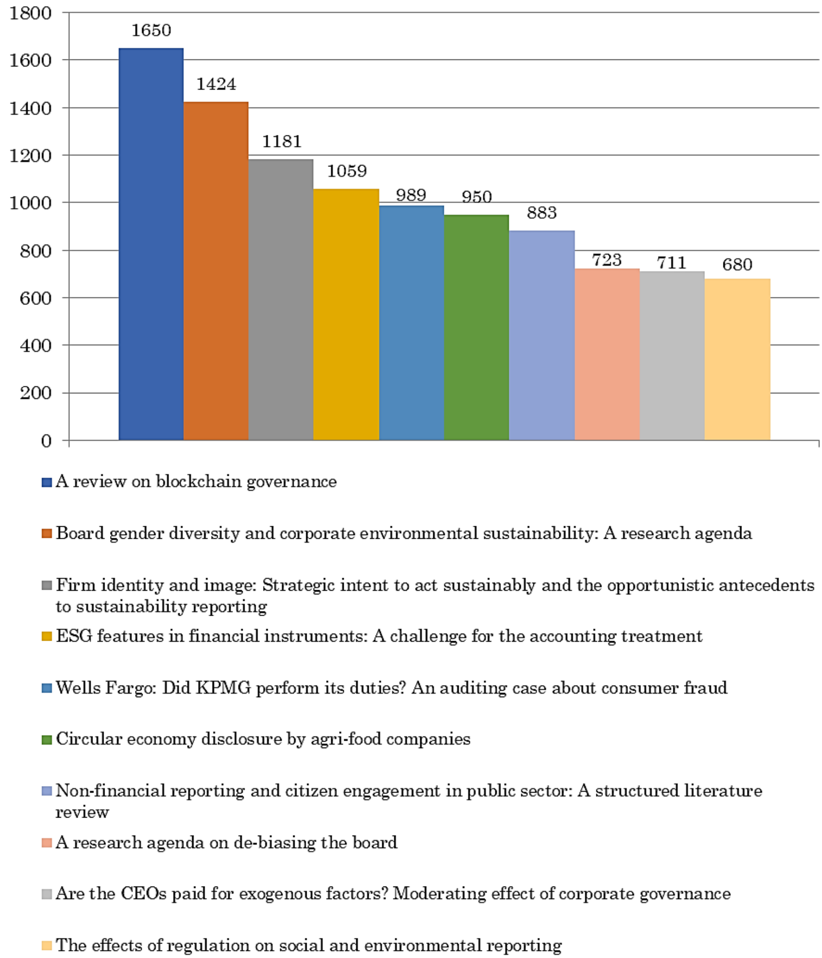
Conference forum comments – topics discussed



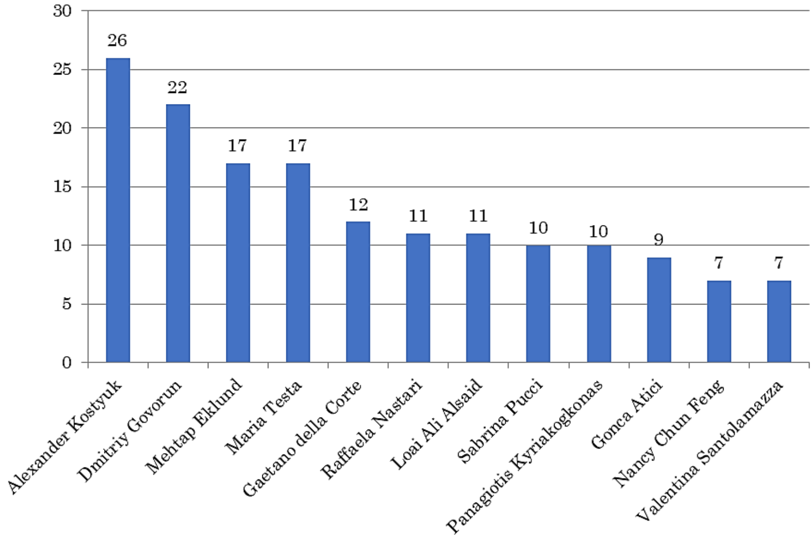
Conference forum comments — top most discussed presentations (by number of comments)



Conference forum comments — top most discussed presentations (by volume of comments (words))



Conference forum comments — top most commenting discussants (by number of comments)



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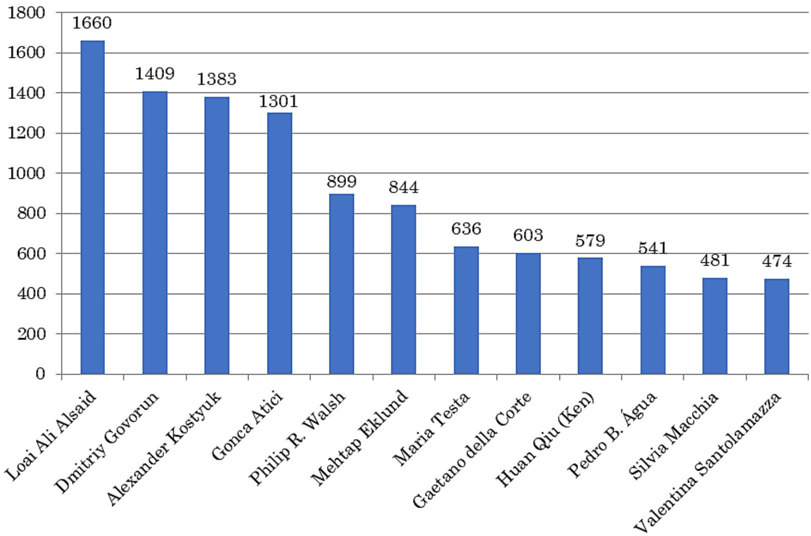
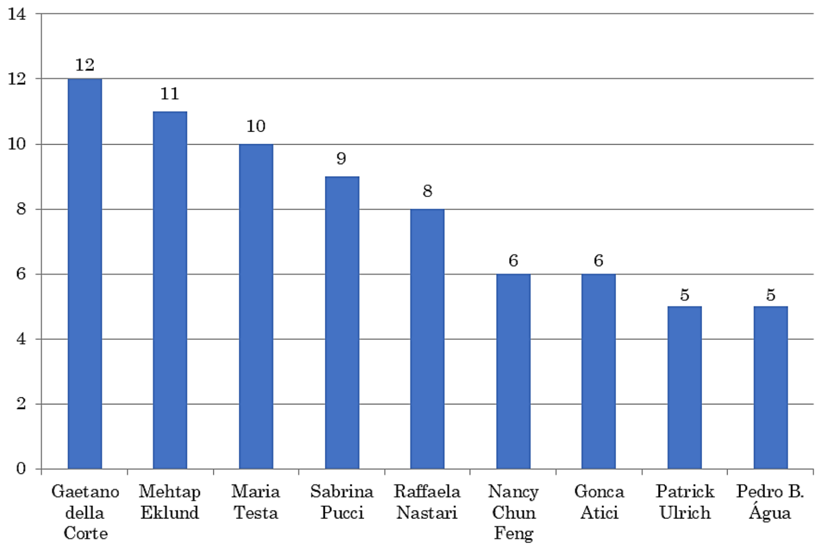


Conference forum comments — top most commenting presenters (by number of comments)



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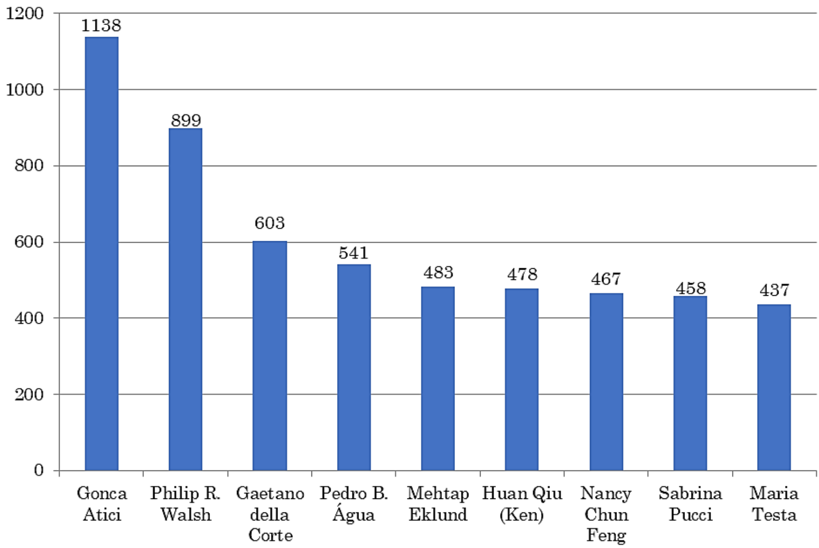
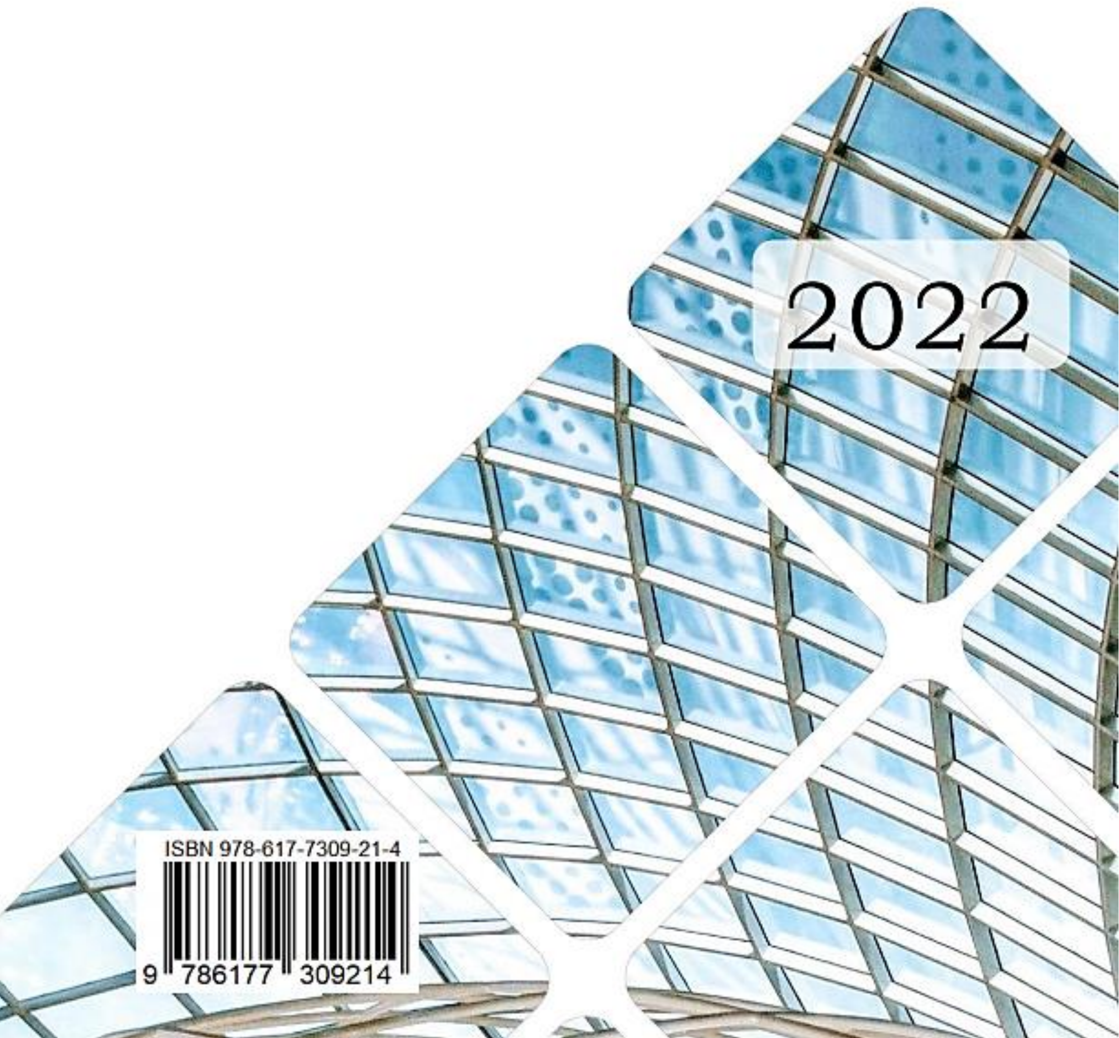


CONFERENCE FORUM DISCUSSANTS INDEX



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