

Nedelcu (Bunea), Mariana

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BOOK REVIEW

BOARD DIRECTORS AND CORPORATE SOCIAL RESPONSIBILITY

Mariana Nedelcu (Bunea)*
Bucharest University of Economic Studies

The boards of directors and corporate social responsibility (CSR) have been the subject of much study and debate in the corporate governance circles over the two last decades. With issues ranging from poor corporate reporting to excessive executive compensation often splashed in the headlines, the role of boards comes into the media limelight as never before. Boards of directors are also becoming increasingly aware of corporate social responsibility issues.

Boards of directors are involved, more than ever, in gauging company policies and developing sound sustainability strategies that meet best social and environmental practices and follow the recommendations of corporate governance codes. At the same time, the corporate social responsibility has thus expanded to encompass not only a company's shareholders who are affected by the firm's activities and whose interests have to be considered in firm's decision-making processes.



In this context, authors of *Board Directors and Corporate Social Responsibility* was running clarifying some aspects related to the role of boards of directors and corporate social responsibility issues. This book includes a rich collection of comprehensive studies, survey, conceptual, and empirical researches conducted in different country settings, by many researchers, teachers, members of professional associations.

The book is broadly set out in two parts, each with seven chapters. In the first section, authors have proposed to include matters related to the corporate board directors and the Part II looks at the challenging role of corporate social responsibility in the conduct of corporate governance.

In the first chapter, entitled *Women on Corporate Boards of Directors: Theories, Facts and Analysis*, Rey Dang and Linh-Chi Vo, provide an overview of contemporary international research and practices related to women on corporate board of directors (Women on Corporate Board of Directors - WOCB).

* Author's contact: e-mail - maribunea@yahoo.com

In light of strong arguments for board gender diversity, the authors examine empirical evidences of women's presence on corporate boards of directors in different countries throughout the world to see whether the idea is truly implemented in practice. The countries included in this investigation are: the United States, Canada, the United Kingdom, France, the Netherlands, Australia and New Zealand.

The results of research show that women's progress in gaining seats on boards of directors can be characterized as glacially slow. This conclusion can be explained by the barriers impeding women's progress and the controversies related to the influence of women directors (positive or negative) on the firm performance. The authors also make recommendations for companies to promote involvement and the appointment of women on the boards of directors of companies.

Continuing the same idea, in chapter two *How Successful Are Women in Breaking the Glass Ceiling? Evidence from the US Market*, Thouraya Triki, Hind Sami and Loredana Ureche-Rangau investigate the stock market reaction following the appointment of a new CEO (Chief Executive Officer - Chairman) and assess its impact when candidates are women.

Their study demonstrates no significant differences in the stock market reaction following the appointment of male or female CEOs. At the same time, research shows that the appointment of a female candidate inside the company has a negative effect on the observed returns than the appointment of an external candidate and that the market reaction is affected by the sector of activity in which the company operates.

One source of conflict at board level arises when the audit committees are set up by the directors rather than by shareholders. This is the topic of the third chapter *Governance by Boards and Audit Committees*, where, according to Glenn Rioux, the boards and audit committees should be viewed as high performance teams that need to guard against 'groupthink' and that need to operate in an atmosphere of 'constructive conflict' to be effective.

The effective governance by boards of directors and audit committees depends certainly on a sound legal, institutional and regulatory framework, and the reforms of the last decade have unquestionably strengthened governance.

However, as this chapter illustrates, factors that cannot be regulated and are largely unobservable from the outside are arguably the most consequential in determining effective governance. Such factors include:

- Selection of directors based on their personality traits as well as their background or 'star' credentials;
- Viewing boards and their committees as high performance teams, where the chair's primary role is to get the maximum contribution out of each member;
- The creation of a culture and process of openness and constructive conflict to avoid groupthink; and
- Ensuring that the full board carefully, but respectfully, probes and challenges the work and processes of the audit committees and its chair, since it is the full board that is responsible.

In the fourth chapter entitled *Enhancing the Board's Monitoring Performance in SMEs*, Lotfi Karoui, Coral Ingley, Wafa Khlif and Sabri Boubaker are based on the recent research

studies about the importance of knowledge and skills at the board level in order to enhance its overall performance.

Thus, the authors develop and empirically test a theoretical model of the impact of director characteristics on board performance of control and monitoring tasks in the context of mid-sized private firms in France. The codes of corporate governance of listed companies promote the extensively the idea that, in order to fulfill its monitoring role, the boards should be composed of so-called "independent members".

The main goal of this study is to examine the determining factors of boards of directors performance applicable to small and medium firms. Based on a sample of 123 SMEs with private capital from France, the authors shows that the collective knowledge and skills of board members are the most important factors for achieving its performance in monitoring and control actions at company level. Also, in this chapter the authors offer perspectives on decision makers interested in increasing the involvement the Board of Directors in the small and medium enterprises field.

In the fifth chapter *Corporate governance: How do Non-profit Boards influence organizational decisions?*, Julianna Browning provides a literature review of the factors that affect the decision-making process of boards of directors of nonprofit organizations. Julianna.

The facts that influence organizational decisions include board lifecycle, the unique role of the board within the organization, characteristics of individual board members and board effectiveness.

Each of these factors are complexity and should be given ample attention to their analysis in order to achieve organizational effectiveness in the governance and decision making.

The intended objective of chapter six *Supervisory Boards in Developing Economies: The Polish Experience*, author Izabela Koladkiewicz—is a depiction of over twenty years of experience in the area of the implementation and development of supervisory boards – a key component of corporate governance in a developing economy such that of Poland.

The characterization involves more than just the framework for the operation of Polish supervisory boards as delimited by the law and best practice in corporate governance, and also regarding aspects related to the identification of factors determining the effectiveness of Polish supervisory boards.

In the seventh chapter entitled *Corporate Governance Disclosures in Romania*, the authors Madalina Gîrbina, Nadia Albu and Cătălin Nicolae Albu make an analysis of the state of corporate governance in the Romanian economy, based on public information for a sample of companies listed on the Bucharest Stock Exchange.

The purpose of this research was to evaluate the level of implementation of practices on corporate governance disclosure by the listed companies in Romania, with a detailed analysis of institutional factors that characterize business environment. The main results of authors' research confirms the difficulty of "export" the good corporate governance practices from developed economies to emerging economies, the corporate governance disclosure being specific to each firms in emerging economies, and there is a gap between the new codes or regulations that demand good practices and current practices.

The following seven chapters are focused on the studies and research aimed at corporate social responsibility (CSR), being included in a section called *Corporate Social Responsibility*.

In the eight chapter, entitled *Corporate Governance as Social Responsibility: a Meta-regulation Approach to Raise Social Responsibility of Corporate Governance in a Weak Economy*, Mia Mahmudur Rahim notes how the convergence between corporate social responsibility and corporate governance has changed the mechanism of corporate responsibility to society, as they develop their own systems of self-regulation - a summary of governance and social responsibility.

The need for self-regulation is essential in achieving corporate accountability to society.

There are situations where the laws and regulations cannot comprises all the activities (in their entirety) that can generate damage to individuals and society, in particular due to unintended consequences and / or unknown the introduction of new technologies. These situations highlight the need for firms / companies to be required to identify and manage those risks and the damages that can cause to citizens and society.

A good governance must be judged to the extent that the corporations internalize the costs of any damage or loss that could have occurred and potential risks and regulatory costs, costs that could be imposed by the society.

A **Cournot duopoly** with environmental effects, where the firms adopt a form of corporate social responsibility (CSR) to define their objective functions, is studied by Luca Lambertini and Alessandro Tampieri in the nine chapter called *Corporate Social Responsibility and Firms' Ability to Collude*. The result of this study shows that it is necessary to coordinate the efforts and decisions of authorities responsible for the competition on the one hand and the environment on the other side and, also, a special attention should be given to updating the existing legislation in order to take appropriate legal tools of CSR behavior.

In the chapter ten *Corporate Social Responsibility Rating Information: Relevance and Impacts on Financial Markets*, the authors capture the effects of the dissemination of information on corporate social responsibility on the financial markets, results of empirical studies performed mainly on the financial markets in the U.S. and the European Union. The findings of these studies have shown that the financial markets are concerned about the CSR, the authors emphasized that this should be included in the models of pricing as well as the commensurate and risk management.

Nowadays, it is already recognized that corporate social responsibility is a way of managing investment risks. Both the financial industry as a whole and individual investors make obvious progress in the inclusion of the CSR as an important component of any investment decision. This should to amend the future relations between corporate social responsibility and financial behavior.

Two questions remain prominent: What is the exact contribution of social responsibility investment (SRI - Socially Responsible Investment) in the performance of financial investments? What is the impact of information on the CSR over the investment strategy of the players on the financial markets? A great challenge for practitioners and researchers is how it should be measured and how to present extra financial contribution to investments in corporate social responsibility.

In the chapter eleven named *Corporate Social Responsibility and the Board's Role in Switzerland*, the authors Pascal Gantenbein and Christophe Volonte investigate engagement in the corporate social responsibility of firms in general and of boards of directors in particular of listed companies from Switzerland.

The Swiss legal framework prescribes no standard related to corporate social responsibility, as a result, leeway concerning CSR strategies is large. The study of authors shows that CSR commitment depends largely on the company's characteristics. Larger firms usually publish objectives and projects related to CSR (corporate social real responsibility) and their directors are more likely to be members of charities.

In Switzerland, many companies are owned and controlled by families that can influence its objectives. These families are often engaged in social projects. In some situations, the social responsibility is assumed by the individual / private or company level.

The results indicate that the firms adopt voluntary the practices on corporate social responsibility independently of legal requirements.

The objective of chapter twelve entitled *The Diffusion of Corporate Governance Standards in an Emerging Market: Evidence from Istanbul Stock Exchange*, having as authors Bengi Ertuna and Ali Tukel, is to evaluate the dissemination of corporate governance in the emerging market characterized by a weak protection of shareholders and concentrated ownership structure dominated by the family business groups.

In the Turkish business context, where the relevant conflict of interest is between the controlling and minority shareholders, the study focused on corporate social responsibility as a local corporate governance issue. Using data for a sample of companies listed on the Stock Exchange of Turkey, the authors employ a content analysis on CSR disclosures to categorize the themes into 'traditionally' versus 'internationally' driven. The share of traditionally driven disclosures that do not address the governance issue continue to dominate, but internationally driven disclosures have increased. From the author's study results that the board monitoring mechanisms do not seem to have an influence on corporate social responsibility (CSR).

The last but one chapter, the thirteenth, is called *Corporate Socially Responsible Practice by Banks in Singapore*, author being Huong Ha. Considering a series of scandals in the business environments that have strong negative effects on the social and economic welfare of the population in many countries, consumer protection and integrity of the financial industry are social responsibility of companies and of other relevant stakeholders.

In many industrialized countries, most companies have a wrong perception over corporate social responsibility as limited to charity and philanthropy. In the author's opinion, CSR is considered as one of the key factors of good corporate governance, which contributes to enhancing Singapore's reputation as a trusted financial hub in the region. In this chapter, the author proposes a revision of the concept of corporate social responsibility in the context of industrialized countries, empirical investigation and evaluation of the CSR practices in the banking sector in Singapore and treatment policy implications of the CSR practices over consumer protection in the banking sector.

Given the lack of studies on the corporate social responsibility at the level of banking sector in Singapore, any research on of its will certainly contribute to the development of a

theoretical framework and practical approaches in order to solve ongoing problems and make face future challenges associated financial viability and consumer protection.

In the last chapter, the fourteenth, entitled *When CSR Drives New Corporate Governance: Does the Latest French Law Reform Confirm the End of 'Business as Usual?'*, the author Ivan Tchotourian makes an analysis of effectiveness of French law in promoting corporate social responsibility, revealing different results of his research. One of the questions of the author is: It is not the role of managers to ensure long-term financial viability of those companies? But, despite the ambitious proposed, still remain strong many criticisms against the last reform of French law.

Thus, through all the fourteen chapters of this book, the readers discover both the state of research on two major themes respectively on the one hand the boards of directors and on the other the corporate social responsibility and struggles, controversies, differences from one country to another, from one culture to another, perspectives and trends in the evolution of the two terms.

The book as a whole succeeds to capture the reader's attention from the first pages, both through the well-defined structure and through the thematic approach and presentation of subjects carefully submitted.

This volume is a rich collection of complexes and comprehensive studies showing the most recent developments on the Board of Directors and corporate social responsibility.

However, the book offers readers new discoveries and perspectives on the corporate governance practices into different countries.

About the editors

Sabri Boubaker is an Associate Professor of Finance at Champagne School of Management (Groupe ESC Troyes) and Research Fellow at the Institut de Recherche en Gestion (University of Paris). He holds a Ph.D. in finance from the University of Paris, obtained in 2006. He is also Visiting Professor at IESEG School of Management (France) and IAE Gustave Eiffel Paris (France). He was member of the team that drafted *The Tunisian Code of Best Practice on Corporate Governance* and *Guidelines For Annual Reports Of Tunisian Listed Companies*. The main research interests include corporate governance, earnings quality and initial public offerings. The author has recently published several academic papers in international journals, including *Journal of Banking of Finance*, *Review of Accounting and Finance*, *Multinational Finance Journal*, *International Journal of Business* and *Managerial Auditing Journal*.

Duc Khuong Nguyen is Associate Professor of Finance and Chairman of the Department of Finance and Information Systems from the ISC Paris School of Management. Professor has a Ph.D. in Finance from the University of Grenoble. Also, he is an associate researcher at the Department of Finance of the Centre d'Economics from Sorbonne (CES), University of Paris 1 Pantheon-Sorbonne. He has published several academic papers in various refereed journals such as *Journal of Banking of Finance*, *Journal of International Financial Markets, Institutions and Money*, *Journal of International Money and Finance*, *Quarterly Review of Economics and Finance*, and *Economic Modelling*. Duc Khuong Nguyen also serves as the editor of the *Euro-Mediterranean Economics and Finance Review*.