Preface

In recent years, boards of directors have faced acute criticism for poor corporate governance, the blame for which arguably lies in an excessive focus on shareholder value and the inefficient incentive mechanisms and excessive risk taking it involves. The traditional neoclassical view of the firm, with its focus on shareholder value, ignores the company’s broader role in society and can be argued to have led to increased instability in the global economy and its stock markets, ultimately to the detriment of shareholders. Recent reforms and recommendations call for a broader approach to corporate governance where shareholder primacy is balanced with an approach that incorporates multiple stakeholder expectations. Moreover, neglecting the interests of other stakeholders can reduce financial performance and thrust the company into the spotlight of social criticism and stakeholder rejection. The changing role of corporate governance raises a series of questions about the development of the concept, its integration with corporate social responsibility (CSR) and sustainability as well as its practical implementation at the company level.

This book addresses tasks and functions of corporate governance in the light of current challenges and the dynamics that arise from a broader approach to company management and the integration of corporate governance with CSR and sustainability. Addressing corporate governance shortcomings that are believed to have contributed to the recent financial crisis, the book will identify the integration of corporate governance and CSR and will include examples of company practice. Such changes affect the practices of shareholders, boards of directors and regulators. For shareholders, the integration of corporate governance and CSR translates into their activism, different investment strategies, specific reporting expectations and the submission of proposals to the annual meeting. Boards of directors need to revise their tasks with respect to the criteria for executive appointments, their corporate strategy, performance measures and diversity recommendations.
Directors should reconsider the structure of executive pay and performance incentives. Finally, regulators introduce new laws addressing for instance the need for integrated reporting (combined reports on financial, social and environmental performance), limiting the voice of short-term oriented shareholders and providing guidelines for executive compensation.

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