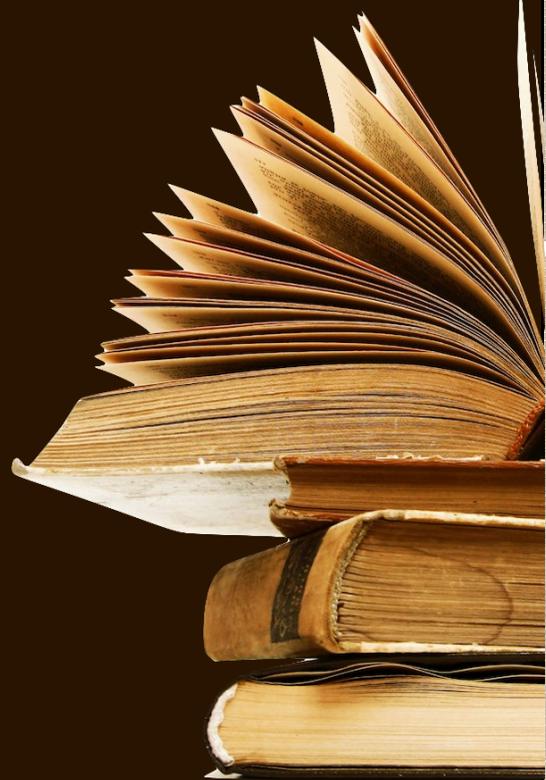


# REPORT

## International Conference *“Corporate and Institutional Innovations in Finance and Governance”*

*May, 21, 2015, Paris, France*



International conference "Corporate and Institutional Innovations in Finance and Governance" was held in Paris, May 21, 2015 with the joint organizational participation of ISTECS Paris, Publishing house "Virtus Interpress" and Virtus Global Center for Corporate Governance. This is the second conference arranged by the same organizing committee at ISTECS on the theme connected to corporate governance. The main purpose of the conference was to trace changes that follow regulatory developments and identify business practices to reach stable fundamentals in corporate governance and management practices and distinguish emerging trends that are going to occupy practitioners, regulators and academics minds in nearest future.



The conference took place at ISTECS on the picturesque bank of historical Canal Saint-Martin that was constructed by the order of Napoleon Bonaparte. The venue is a former historic industrial building and its original interior with uncovered communications supported the concept of scientific gathering aimed at the open-mindedness and exchange of research ideas without any barriers.

Experts from 26 countries gathered in the capital of France to participate in the conference.

Event started with the welcome and opening remarks of the conference host from ISTECS - professor **Rémi Jardat**, Director of Research. He

highlighted the relevance of the conference topics to the current global financial trends, greeted participants and wished them fruitful work so that they were successful in contributing to the solution of important financial issues and expressed their hopes that the conference should become efficient platform for the creation of new partnerships and contacts. Professor **Alex Kostyuk**, co-chair of the conference expressed his gratitude to all participants for their valuable contribution to the conference procedures and emphasized the importance of the strong research network that forms between participants during such events. He has awarded membership certificates to the members of Virtus Global Center for Corporate Governance who came to the conference.

Further the word was given to the first key-note speaker – Prof. **Loic Sauce**, representing ISTECS, France. He



has made a fundamental speech in the issues of changes and adaptation in management and research, covering issues of stability and equilibrium. In his presentation Prof. **Sauce** analyzed main points of the Minsky theory of destabilizing stability and presented his own theory on the issue. After active discussion provoked by the presentation the floor was given to the next speaker – Prof. **Gilbert Giacomoni** who is well known expert in innovations. In the presentation he has outlined recent trends and main theories of innovations and presented main points that the companies may take into account during management process based on innovations.

Next key-note speaker, Prof. **Rado Bohinc** from the University of Ljubljana, Slovenia. Prof. **Bohinc** targeted topic of recent trends and developments in shareholders' role in EU corporate governance. Prof. **Bohinc** undertook a fundamental analysis of the legal framework of the issue and presented his own recommendations and conclusions. According to Prof. **Bohinc's** presentation EU Company law is lagging behind the developments in the EU and world economy. Such weaknesses and malfunctions have attributed to the crisis. Current main EU corporate governance shortcomings lay in insufficient engagement of shareholders and lack of adequate transparency.

Speaker argued that institutional investors and asset managers, intermediaries and proxy advisors from EU member states should be subject to appropriate transparency and engagement rules. To increase role of the shareholders it is proposed: to disclosure of the remuneration policy and individual remunerations, combined with a shareholder vote; submission of the most substantial transactions to shareholder approval; mandatory transparency of institutional investors and asset managers on their voting and engagement; allowing listed companies to identify their shareholders and requiring intermediaries to rapidly transmit information related



to shareholders. Several measures on improving of the director's remuneration, controlling related party transactions, board composition and independent directors were also proposed. The presentation ended with the discussion that continued through the coffee break and later on the parallel sessions.

Scientific problems of the Corporate Governance and Corporate Social Responsibility issues were discussed during the first parallel session of the conference. The session was chaired by Professor from University of South Africa **Jacobus Young**, **Jerome Chan** from Coventry University London Campus (UK) examines corporate governance in

Malaysia, in particular shareholders' rights and remedies at common law and in the Malaysian Companies Act 1965. Researcher argued that there is inadequate protection of shareholders' interests and shareholders often face many hurdles in bringing derivative actions against wrongdoing directors. A lively discussion has been provoked by issues of the problem of corruption and the lack of enforcement of law in Malaysia.

**Gulnara Moldasheva** from BCB, KIMEP University (Kazakhstan) in her report emphasized that the negative outlook for Kazakhstan's financial system is driven by expectations of a large overhang of problem loans requiring higher loan-loss reserves; poor profitability and capital adequacy; and modest credit growth. The researcher suggested that efficient corporate governance practices may have significant influence on the strategic decisions of a company, e.g. external financing, that are taken at board level. Professor **Abdul-Nasser El-Kassar** from Lebanese American University (Lebanon) during his presentation focused on Corporate Governance and Corporate Social Responsibility in Lebanese FOEs and tried to find the link between them. The presenter informed participants that the performance of the Lebanese's corporations compared to their actual potential is deliberated to be low because of the multiple series of scandals and collapses that this country has witnessed over the years.



Joint work of Korean researchers from Ewha Womans University (Korea), **Professor Jasper Kim** and **Yekyung Kang**, dealt with the case study of South Korea's Social Enterprise Promotion Act using

public-private partnerships. The authors have investigated the a regulatory and socio-economic perspective regarding SEPA, which includes policy arguments related to the benefits and barriers of the act, in addition to survey results from respondents in South Korea related to social enterprises and similar start-ups. The specific and relevant topic was investigated by German researcher **Christian Kretzmann** (HHL Leipzig Graduate School of Management). The author focused on the root of the conflict and determines a shortcoming in the public stakeholders' perception of CSR as the main cause. The Evolution of an Investor Strategy was highlighted in the report of **Angela Giovinco** (Sodali, Spain).

Representatives of Indonesian university **Dwi P. Bhakti** and **Hidajat Sofyan Widjaja** (Perbanas Graduate Institute of Indonesia) during the presentation have paid the audience's attention on Inter-Relationship Between Large Sectors and State-Owned Enterprises. The authors also investigated inter-relationship between the very large sector (Conglomerates) and State-Owned Enterprises with regard economic policies as well as corporate actions undertaken by such institutions. Both sector have advantageous and disadvantageous that transforming into several model and finally providing the government to perform several policies to energize economic development. Session chair Professor **Jacobus Young** made the comprehensive report on the main



principles of good corporate governance grounded on South African perspective. The last report in the session was made by Professor **Anthony O. Nwafor** from University of Venda (South Africa), which was based on investigating the comparative analysis, the provisions on the duty of the director to disclose interest in company's transactions in South Africa and United Kingdom with the aim of discovering the extent to which the statute in both jurisdictions upholds the common law prescriptions.

The second session of the conference that was devoted to board of directors, reporting and remuneration issues and chaired by **Yaroslav Mozghovyi** (Member of Virtus Global Center for

Corporate Governance) included 10 presentations. Professor **Hugh Grove** (University of Denver, USA) presented two papers which were conducted jointly with Professor **Maclyn Clouse**. Their first research was devoted to developing guidelines for independent and competent directors. The second research study found that the longer CEOs were in their jobs, the worse was their firms' poor performance. Dr. **Andreas Kokkinis** from University of Warwick (UK) focused on the remuneration of company directors and senior managers. In particular, the author argued that current policy initiatives, and – to a lesser extent – relevant academic literature, were confusing two different aspects of the debate, such as the aspect of protecting shareholders and shareholder value, on the one hand, and achieving public interest goals, on the other.

Members of Virtus Global Center for Corporate Governance (Ukraine) **Yuliya Lapina** and Professor **Alex**



**Kostyuk** in their presentation introduced the main results of the study related to the shareholders rights and remedies comparing Ukrainian and German case. This comparison provided the opportunity to make the suggestion how to improve this issue in Ukraine.

**Christian Kretzmann**, HHL Leipzig Graduate School of Management (Germany), presented the results of scientific research concerning comparability of reported cash flows under IFRS. The main attention was focused on the issues taking into consideration evidence of Germany. The specific and relevant topic was researched by Italian

Professor **Fabrizio Bava** and **Melchiorre Gromis di Trana** (University of Turin). The authors focused on contributing to RPTs literature finding evidence able to justify an increasingly expensive and more cogent regulation. Results show that the intensity of related party revenues is superior when the company has been subject to a reduction of profitability as well as to a reduction in turnover. The peculiarities of effective communication of corporate sustainability reporting were highlighted in the report of Professor **Christo Cronjé** (University of South Africa). The presentation concluded that the primary modal aspects as per the Dutch philosopher, Dooyeweerd, could play a very important role in effecting corporate sustainability reporting.

Professor **Merwe Oberholzer** (North-West University (South Africa) presented study which was conducted jointly with Jaco Barnard. Their research was devoted to reflect on existing practices in studying the CEO pay-performance issue, with special reference to the context wherein the financial performance measurements were employed.

Scientific problems of risk management in listed companies and financial institutions were discussed during the third session of the conference. The session was chaired by Prof. **Remi Jardat** from ISTE (France).



**Fang Ma** from University of Portsmouth (UK) assessed the application of the corporate opportunity doctrine by comparison with its English counterpart. It was argued that the current rules are theoretical and further reforms are required to clarify and broaden its scope of application. The presentation of **Roberto Moro Visconti** (Catholic University of the Sacred Heart, Italy) was devoted to unprecedented analysis of the impact of ECB unconventional monetary policy on Euro-zone governance equilibriums. It was concluded that

experience shows that monetary policy, alone, is however ineffective, unless it is properly combined with synchronized fiscal policies and national reforms. Lower taxation, made possible by budget cuts, may be positively associated with pro-growth unconventional measures. The representatives of Virtus Global Center for Corporate Governance (Ukraine) **Yaroslav Mozghovyi** and **Dmitriy Riabichenko** investigated the relationship between ownership structure and risk profile using a sample of Ukrainian banks. The retrospective overview of banking system development in post-crisis period was carried out.

The presentation of **Tankiso Moloji** (University of South Africa, South Africa) was to assess the risk management disclosures in the annual (integrated) reports of the top twenty (20) listed companies. The objectives were obtained through a literature review on risk management developments as per the requirements of the



King III report on Corporate Governance, and supported by empirical evidence obtained from assessing the 2013 annual/ integrated reports of these top listed companies. The results obtained indicate that the majority of the JSE's top 20 listed companies adhere to good risk management disclosure practices. However, there are areas in which the non-disclosure of information was prevalent. **Masaki Kusano** from Kyoto University (Japan) presented the result of research that investigated the economic impacts of capitalization of operating leases in Japan. Specifically, the ex-ante impacts of capitalization of operating leases by comparing pro-forma accounting numbers based on a proposed rule change with reported

accounting numbers under an extant rule were examined. The findings are twofold. First, capitalization of operating leases has significant impacts on financial ratios, including the debt to equity ratio and the interest coverage ratio. Second, the impacts of capitalization of operating leases on these financial ratios are more likely to be large after the adoption of Statement No. 13, Accounting Standard for Lease Transactions. The speech of **Tony Quon** from Telfer School of Management, University of Ottawa (Canada) was focused on the effect of the financial crisis on enterprise risk management (ERM) disclosures. When the levels of risk exposure, risk consequences and risk management disclosures were examined, only the S&P 500 companies reported higher levels of risk consequences in 2008, compared to 2007. Presenter paid attention to the fact that the financial crisis did not appear to have had any other impact on the average levels of risk disclosures.

The presentation of **Raef Gouiaa** (University of Québec in Outaouais, Canada) was to understand the attributes through which boards may exercise responsibilities for risk management. Specifically, the research seeks to identify optimal board structure and characteristics that are important to insuring effective practices in risk management. **Patrizia Pastore** from University of Calabria (Italy) demonstrated the validity of financial statement analysis to understand the economic and financial performances and identify any financial anomalies and risks to which the firm is exposed. Finally, the presenter concluded that the financial statement analysis certainly represents the most important tool to assess the company financial health.



During the presentation of **Loredana Ferri Di Fabrizio** (University of Pescara, Italy) the answer to the following questions was given: how do corporate strategies use derivatives? What is the really goal of using derivatives: hedging or taking risks? How CEOs use derivatives to hide or delay losses or their imbalanced corporate strategies? **Lorenzo Sasso** from Higher School of Economics (Russia) highlighted the challenges to regulators posed by ongoing financial innovation through regulatory capital arbitrage in banking capital regulation. He focused on the interaction between bank capital regulation and accounting standards. **Valiant A. Clapper** (University of South Africa, South Africa) made an attempt to contextualize models of risk management and

mitigation for purposes of public service application. The presenter analyzed the political, government and governance implications for the South African public service context and proposed a model for risk management in public service.

Corporate innovations and performance issues were discussed during the fourth parallel session. **Loic Sauce**, ISTECH (France) was a session chair during this session. **Shirley Mo-ching Yeung** from Hang Seng Management College (Hong Kong) concentrated attention of participants on future trend in delivering programmes related for sustainability, architectural studies, project management and supply chain management (SCM) in specific disciplines through understanding the trend of design-related research papers and the existing sustainability-related curriculum to realise the importance of multidisciplinary knowledge with system thinking



in community development for economic, social, and environmental impacts. **Derek Ireland** (Arthur Kroeger College Carleton University, Canada) described a need for a stronger behavioral and neuroscience perspective to the analysis and development of policy options for financial sector reform and renewal and enhanced protection of the financial consumer. It was mentioned that the insights and inferences from the behavioral and neuroscience literatures provide quite credible evidence that designing and applying polycentric and sustainable governance and regulatory approaches and models to national and international financial markets, industries and regulatory regimes, will be much more challenging and

information, time, analysis and "cognition" intensive than applying similar models to many other markets, industries, and regulatory regimes. The presentation of **Tariq Mohamed Atiya** from College of Commerce and Business Administration, Dhofar University (Oman) disclosed some issues of ISO certification and firm performance. The results of the research was supported empirically through providing attendees with a strong evidence from Oman. **Wilfred I. Ukpere** (University of Johannesburg, South Africa) revealed the need for the establishment of ICT parks with adequate awareness campaign. Also, he mentioned that ICT skill acquisition is a panacea for employment generation in most societies. Recommendations were based on findings on this model of employment generation through ICT in Delta State of Nigeria.

**Khurshid Djalilov** from Bournemouth University (UK) aimed to investigate the determinants of bank profitability in early transition countries of Central and Eastern Europe and in late transition countries of the former USSR. However, he reported that no evidence was found in support of the effect of the recent 2007-2010 global crisis and ownership type on bank profitability.

The study presented by **Giovanna Mariani** (University of Pisa, Italy) focused on a particular determinant of strategic choices – the family involvement in corporate governance issues – by analysing the Italian context during the financial crises period. Clear answers to the following research questions were given: How do M&A strategies affect corporate performance? What are the differences in terms of performance of the M&A strategies pursued by Italian family firms and non-family firms? How the global crisis has affected the performance of a M&A strategy? The speech **Marta Graño** from ESADE (Spain) was devoted to the issues of audit expectation gap and paid significant attention to the issues of fraud detection and the first factor.



**Raphael Tabani Mpofo** (University of South Africa, South Africa) examined Zimbabwe's transition from a managed exchange rate regime to adopting an official multi-currency policy regime, which soon became de facto dollarization. In order to measure the effects of dollarization.

**Micah Odhiambo Nyamita** from University of South Africa (South Africa) disclosed some issues of the extent of debt financing within state-owned corporations. An empirical proof for the case of Kenya was presented. **Roberta Provasi** (University of Milan, Italy) and **Patrizia Riva** (University of Eastern Piedmont, Italy) investigated the issue relating to the internal control system of listed companies, according to the publication of the new Framework COSO updated in 2013. They explored the latest changes brought to the 1992 Coso Framework and the opportunity arising with the transition to CoSo 2013. One more presentation made by **Patrizia Riva** (University of Eastern Piedmont, Italy) was to highlight the origin of the interest doctrine and companies have demonstrated in the so called performance "measures". For this reason, the presenter focused on the enormous changes which characterized the latest decades and to understand their consequences on firm management. Some theoretical models were presented, in order to describe the use of performance "measures" and to define the main information categories to be given to external parties.

The fruitful and interesting conference day was concluded by the pleasant dinner at the cruise boat on the Seine River.



Organizers of the conference would like to express their gratitude to all participants and supporters who joined our international network and visited Paris to make their deposit by high quality presentations, interesting discussions and feel unique atmosphere of the fruitful scientific gathering.

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