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*A Handbook  
of Corporate  
Governance  
and Social  
Responsibility*

Edited by

GÜLER ARAS and DAVID CROWTHER

GOWER

GÜLER ARAS AND DAVID CROWTHER

## Introduction

National governance has been defined by the World Bank as the exercise of political authority and the use of institutional resources to manage society's problems and affairs. This is a view of governance which prevails in the present, with its assumption that governance is a top down process decided by those in power and passed to society at large. In actual fact the concept is originally democratic and consensual, being the process by which any group of people decide to manage their affairs and relate to each other. Such a consensual approach is, however, problematic for any but the smallest of groups and no nation has actually managed to institute governance as a consensual process. With the current trend for supra-national organisation<sup>1</sup> then this seems even more of a remote possibility; nor is it necessarily desirable. Thus a coercive top down form of governance enables a society to accept leadership and to make some difficult decisions which would not otherwise be made.<sup>2</sup> Equally, of course, it enables power to be usurped and used dictatorially – possibly beneficially<sup>3</sup> – but most probably in a way in which most members of that society do not wish.<sup>4</sup>

Governance is however an issue which has come to the fore recently as a direct cause of problems associated with the financial and economic crisis. This applies to governance in general but to corporate governance in particular. Corporate governance can be considered as an environment of trust, ethics, moral values and confidence – as a synergic effort of all the constituents of society – that is the stakeholders, including government; the general public and so on; professional/service providers – and the corporate sector. One of the consequences of a consideration of the actions of an organisation, and the consequences of those actions, has been an increasing awareness of corporate governance (Hermalin 2005). Corporate governance is therefore a current buzzword the world over. It has gained tremendous importance in recent years. Two of the main reasons for this upsurge in interest are the economic liberalisation and deregulation of industry and business and the demand for new corporate ethos and stricter compliance with the law of the land. One more factor that has been responsible for the sudden exposure of the corporate sector

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1 Such as, for example, the European Community.

2 For example, the decision to abolish capital punishment in the UK in 1969 could not have been made consensually; nor too could the decision to invade Iraq in 2003.

3 The ancient Greeks favoured beneficial dictatorship as a means of running their city states.

4 Most people would disagree that, for example, power was usurped in the USSR by Stalin because of a centrally imposed governance; equally few would suggest that this power was used beneficially or in a way which most members of the society were happy about.

to a new paradigm for corporate governance that is in tune with the changing times in the demand for greater accountability of companies to their shareholders and customers (Bushman & Smith 2001). There is a considerable body of literature which considers the components of a good system of governance and a variety of frameworks exist or have been proposed. We must stress also that we have taken a broad view of the definition of corporate governance both in terms of the aspects of corporate behaviour with which it is involved and also regarding the types of organisation with which it is concerned. Thus the term corporate governance has become ubiquitous in considering the governance of every type of organisation – corporate or not – in order to distinguish this from societal or civic governance. It is this broader interest with organisational governance which is the focus of this book.

Good governance is essential for good corporate performance and one view of good corporate performance is that of stewardship and thus, just as the management of an organisation is concerned with the stewardship of the financial resources of the organisation so too would management of the organisation be concerned with the stewardship of environmental resources. The difference, however, is that environmental resources are mostly located externally to the organisation. Stewardship in this context, therefore, is concerned with the resources of society as well as the resources of the organisation. As far as stewardship of external environmental resources is concerned then the central tenet of such stewardship is that of ensuring sustainability. Sustainability is focused on the future and is concerned with ensuring that the choices of resource utilisation in the future are not constrained by decisions taken in the present (Aras & Crowther 2007a). This necessarily implies such concepts as generating and utilising renewable resources, minimising pollution and using new techniques of manufacture and distribution. It also implies the acceptance of any costs involved in the present as an investment for the future.

A great deal of concern has been expressed all over the world about the operation of systems of corporate governance in operation – and the attendant problems – and its organisation and operation has been a major concern of business managers, academics and government officials all over the world. Often companies' main target is to become global – while at the same time remaining sustainable – as a means to get competitive power. But the most important question is concerned with what will be a firms' route to becoming global and what will be necessary in order to get global competitive power. There is more than one answer to this question and there are a variety of routes for a company to achieve this. Corporate governance can be considered as an environment of trust, ethics, moral values and confidence – as a synergic effort of all the constituents of society – that is the stakeholders, including government; the general public and so on; professional/service providers – and the corporate sector.

Of equal concern is the question of corporate social responsibility – what this means and how it can be operationalised (Aras & Crowther 2007b). Although there is an accepted link between good corporate governance and corporate social responsibility the relationship between the two is not clearly defined and understood. Thus many firms consider that their governance is adequate because they comply with The Combined Code on Corporate Governance, which came into effect in 2003. Of course all firms reporting on the London Stock Exchange are required to comply with this code, and so these firms are doing no more than meeting their regulatory obligations. Many companies regard corporate governance as simply a part of investor relationships and do nothing more

regarding such governance except to identify that it is important to investors/potential investors and to flag up that they have such governance policies. The more enlightened recognise that there is a clear link between governance and corporate social responsibility and make efforts to link the two. Often this is no more than making a claim that good governance is a part of their Corporate Social Responsibility CSR policy as well as a part of their relationship with shareholders.

## Globalisation and Corporate Governance

Two features describe the modern world – globalisation and the free market. It is widely accepted – almost unquestioningly – that free markets will lead to greater economic growth and that we will all benefit from this economic growth. Around the world people – especially politicians and business leaders – are arguing that restrictions upon world economic activity caused by the regulation of markets are bad for our well-being. And in one country after another, for one market after another, governments are capitulating and relaxing their regulations to allow complete freedom of economic activity. So the world is rapidly becoming a global market place for global corporations, increasingly unfettered by regulation. We have seen the effects of the actions of some of these corporations within the United States itself – the champion of the free market. We have seen the collapse of the global accounting firm Anderson; we have seen the bankruptcy of major corporations such as Enron and World.com with thousands of people being thrown out of work and many people losing the savings for their old age which they have worked so long and hard to gain.

One way to describe why this has happened is to acknowledge that there are problems with accounting, with auditing, and with peoples' expectations. We must remember that the myth of the free market is grounded in classical liberal economic theory,<sup>5</sup> as propounded by people such as John Stuart Mill in the nineteenth century, which, briefly summarised, states that anything is OK as long as the consequences are acceptable. The regulatory regime of accounting has been increasingly changed over time to serve the interests of businesses rather than their owners or society. Thus no longer is it expected that the accounting of a business should be undertaken conservatively by recognising potential future liabilities while at the same time not recognising future profit. Instead profit can be brought forward into the accounts before it has been earned while liabilities (such as the replacement of an aging electricity distribution network) can be ignored if they reduce current profitability. A study of the changes made in accounting standards over the years shows a gradual relaxation of this requirement for conservatism in accounting as these standards have been changed to allow firms to show increased profits in the present. This of course makes the need for strong governance procedures even more paramount.

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<sup>5</sup> Furthermore, the whole of the economic system upon which capitalism functions is predicated in the Utilitarian philosophy developed from Liberalism by such people as John Stuart Mill and Jeremy Bentham.

## Scandals, Failures, Problems

Every time society faces a new problem or threat then a new legislative process of some sort is introduced which tries to protect that society from a future reoccurrence (Romano 2004). The crisis which started in 2008 is resulting in much discussion of changes which are needed. Recently we have seen a wide range of problems with corporate behaviour, which has arguably led to prominence being given to corporate social responsibility (see, for example, Boele, Fabig & Wheeler 2001; Aras & Crowther 2007a). Part of this effect is to recognise the concerns of all stakeholders to an organisation, and this has been researched by many people (for example, Johnson & Greening 1999; Knox & Maklan 2004) with inconclusive findings. Accordingly, therefore, corporations, with their increased level of responsibility and accountability to their stakeholders, have felt that there is a need to develop a code for corporate governance so as to guide them towards appropriate stakeholder relations.

A great deal of concern has been expressed all over the world about shortcomings in the systems of corporate governance in operation: Britain, Australia, most other Anglo-Saxon and English-speaking countries, and many other countries, have a similar system of governance. Conversely, Germany is a good example of where the distance between ownership and control is much less than in the United States, while Japan's system of corporate governance is in some ways in-between Germany and the United States, and in other ways different from both (Shleifer & Vishny 1997). By contrast, in India, the corporate governance system in the public sector may be characterised as a transient system, with the key players (namely, politicians, bureaucrats and managers) taking a myopic view of the system of governance. Such international comparisons illustrate different approaches to the problem of corporate governance and the problem of ensuring that managers act in their shareholders' interest. Recently of course much attention to this issue has been paid by institutional investors (Cox, Brammer & Millington 2004).

Good governance is, of course, important in every sphere of society whether it be the corporate environment or general society or the political environment. Good governance levels can, for example, improve public faith and confidence in the political environment. When the resources are too limited to meet the minimum expectations of the people, it is a good governance level that can help to promote the welfare of society. And, of course, a concern with governance is at least as prevalent in the corporate world (Durnev & Kim 2005).

## The Relationship Between Governance, Social Responsibility and Business Success

Often the more significant the power that multinational corporations and some groups of stakeholders in a firm have, the more is spoken about corporate social responsibility. Thus a concept that was some kind of luxury some years ago, nowadays has reached the forefront of public opinion and discussion – often of a cynical nature – of CSR abounds in every public arena. Some steps taken in the corporation's development, in the environment and in the human values can be the guilty causes of this CSR fashion. If in the beginning firms were small and there was no distinction between ownership and management, the economic development made that there was a necessity to attract more

capital to set up bigger enterprises. Thus, there were owners who gave the funds and there were experts in management, who managed the company and were paid by the owners. Agency Theory establishes this relationship between the principal (the shareholder or investor) and the agent (the manager) bearing in mind that the goals of the principal must be achieved through the management of the agents. But when considering what are the shareholders' objectives then the obvious answer is that they are mainly to increase the enterprise value through the maximisation of profits.

The agency relation of course creates its own problems and, some would argue, has been the cause of some of the corporate scandals referred to. This is a matter which is addressed in this book. At this point however we would like to emphasize that – just as we have taken a broad definition of corporate governance to really encompass organisational governance – we have taken a broad definition of corporate social responsibility to encompass the social responsibility of all organisations. It is unfortunate that the word corporate has become attached to the concepts of governance and of social responsibility as in some ways it provides a misleading picture of the issues. Nevertheless the terms, including the word corporate, have entered common parlance and therefore have been used in this book.

Corporate governance is fundamental to the continuing operating of any corporation; hence much attention has been paid to the procedures of such governance. A significant part of the reason for this is due to the developments brought about through globalisation. The phenomenon known as globalisation is a multidimensional process involving economic, politic, social and cultural change. However the most important discussion about globalisation is related to the economic effect it has upon countries and the corporations operating within and across these countries. There has been much written about globalisation – either positive or negative – and the effects which it is having. One consequence of globalisation though is manifesting itself in the structure and organisation of corporations. This is concerned with the harmonisation procedures and structures which will manifest itself through the emergence of global norms for corporate governance. We will see through the preceding chapters a variety of issues concerned with corporate governance. Equally we have seen examples of the central message of this book concerning the overwhelming importance of cultural issues in the operation of whatever systems of governance are introduced. Nevertheless some form of commonality and harmonisation continues to be a subject of debate. This chapter takes this debate and the arguments from the chapters in this book in order to consider what the future might hold for corporate governance procedures and mechanisms.

The relationship between good governance and business performance is, however, clearer. As shown in various chapters of this book, investors are increasingly willing to pay a premium for good governance in a business because of the expected improvements in sustainable performance which will, over time, be reflected in future dividend streams. And the relationship between social responsibility and governance is similarly clear and described by us previously (see Aras & Crowther 2007b, 2008a). In an attempt to satisfy the necessities of the stakeholders other conflicts can appear between the interests of the different groups included in the wider concept of stakeholders. Sometimes, because of this conflict of interests and its own specific features, the company tries to establish different levels between the stakeholders, paying more attention to those ones that are most powerful, but are there some goals more socially responsible than others? In the end

the hierarchy will depend on the other goals of the company, it will give an answer to those stakeholders that can threaten the performance of the economic goals.

The difficulties in measuring the social performance of a company are also due to the ownership concept. This is because the concept of corporate social responsibility is really comprehensive. There are companies whose activities are really different but all of them have to bear in mind their social responsibility, and this applies not only to companies, but also to people in whatever activity they do. From a politician to a teacher: ethics, code of conducts, human values, kindness to the environment, respect to the minorities (which should not be understood as a dictatorship of the minorities) and so on, are values that have to be borne in mind and included in the social responsibility concept. A good example of this diversity can be seen in this book where experts discuss a variety of different topics such as 'building and construction' and 'auditing', although each has got a deep relationship with the others. The same can be said about the regions; besides the classification according to topics in the directory, another classification of CSR in accordance with regions has been included. The point of view of the concept can vary depending on the country or the region, because some important problems linked to basic human values are more evident in some countries than in others. These social problems cannot be isolated because they have an important relationship with the degree of development of the country, so in the end it is the economy that pushes the world. Capitalism allows the differences between people, but what is not so fair is that these differences are not only due to your effort or work but are also due to having taken advantage of someone else's effort. And this can be the case with multinational corporations, which sometimes abuse their power, closing factories in developed countries and moving them to developing countries because the wages are lower, or, for example, because the security and health conditions are not so strict and so are cheaper to maintain for the company. Then the same companies obtain large profits to expense them in philanthropic ways.

Development conditions of regions can determine the relationship between governance and business success, as we have highlighted elsewhere,<sup>6</sup> if it is allowed, in some developing countries, to damage the environment or there are no appropriate labour unions and so on. Because of a lack of requirement of government attention, the global players use these facilities to obtain a better economic performance although they can be aware of their damaging policies. But it is not only the development degree that affects governance social responsibility, countries or regions are also deeply associated with human values through education and culture. The values are so deep inside us that it is said that people from different regions of the world who have shared the same education, for example, ethics courses at the university, do not share the same human values, because they are marked by their origins. Perhaps it should be understood that the inclusion of an ethics course as part of a university degree is useless because, ultimately, people will go on thinking what they thought at the beginning, depending on the values of their origin culture. But not everything is so simple, because there has been evidence of situations where different values have been imported from one culture to another and accepted as their own values without any problem. So, it shows that the questions related to CSR are complicated and not as simple as they can seem at a first glance.

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6 See particularly Aras & Crowther 2008b, 2009.

This complexity can be argued as a disadvantage to take into account when speaking about the creation of global standards of socially responsible behaviour for companies: there are so many different cases that to establish a general regulation may be very difficult. But at the same time, this diversity can be argued to require this regulation because there have been different initiatives, most of them private, and they have added diversity to the previous one and the subject requires a common effort to try to tackle the problem of its standards and principles. The latest financial scandals have proved that it is not enough for companies to have their own codes or human values, but that it is necessary to reach an agreement to establish a homogeneous regulation, at least at the level of global players and multinational corporations.

## The Gaia Hypothesis

While the discourse of accounting was developing the notion of greater accountability to stakeholders during the 1970s, other developments were also taking place in parallel. Thus, in 1979, Lovelock produced his Gaia Hypothesis (Lovelock 1979, 2000) in which he posited a different model of the planet Earth; in his model the whole of the ecosphere, and all living matter therein, was co-dependant upon its various facets and formed a complete system. According to this hypothesis, this complete system, and all components of the system, was interdependent and equally necessary for maintaining the Earth as a planet capable of sustaining life. This Gaia Hypothesis was a radical departure from classical liberal theory which maintained that each entity was independent and could therefore concentrate upon seeking satisfaction for its own wants, without regard to other entities. This classical liberal view of the world forms the basis of economic organisation, provides a justification for the existence of firms as organs of economic activity and provides the rationale behind the model of accounting adopted by society. The Gaia Hypothesis, however, implied that interdependence, and a consequent recognition of the effect of ones actions upon others, was a facet of life. This consequently necessitates a different interpretation of accountability in terms of individual and organisational behaviour and reporting.

Given the constitution of economic activity into profit-seeking firms, each acting in isolation and concerned solely with profit maximisation, justified according to classical liberalism, it is inevitable that accounting developed as organisation-centric, seeking merely to measure and report upon the activities of the firm insofar as they affected the firm. Any actions of the firm which had consequences external to the firm were held not to be the concern of the firm. Indeed enshrined within classical liberalism, alongside the sanctity of the individual to pursue their own course of action, was the notion that the operation of the free market mechanism would mediate between these individuals to allow for an equilibrium based upon the interaction of these freely acting individuals, and that this equilibrium was an inevitable consequence of this interaction.<sup>7</sup> As a consequence, any concern by the firm of the effect of its actions upon externalities was irrelevant and not, therefore, a proper concern for its accounting.

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<sup>7</sup> This assumption of course ignores the imbalances in power between the various parties seeking to enact transaction through the market.

The Gaia Hypothesis stated that organisms were interdependent<sup>8</sup> and that it was necessary to recognise that the actions of one organism affected other organisms and hence, inevitably, affected itself in ways which were not necessarily directly related. Thus the actions of an organism upon its environment, and upon externalities, were a matter of consequence for every organism. This is true for humans as much as for any other living matter upon the planet. It is possible to extend this analogy to a consideration of the organisation of economic activity taking place in modern society and to consider the implications both for the organisation of that activity and the accounting for that activity. As far as profit-seeking organisations are concerned, therefore, the logical conclusion from this is that the effect of the organisation's activities upon externalities is a matter of concern to the organisation, and hence a proper subject for accounting in terms of organisational activity.

While it is not realistic to claim that the development of the Gaia Theory had a significant impact upon organisational behaviour, it seems perhaps overly coincidental to suggest that a social concern among business managers developed at the same time that this theory was propounded. It is perhaps that both are symptomatic of other factors which caused a re-examination of the structures and organisation of society. Nevertheless organisational theory has, from the 1970s, become more concerned with all the stakeholders of an organisation, whether or not such stakeholders have any legal status with respect to that organisation. At the same time, within the discourse and practice of accounting there has been a growth in concern with accounting for externalities and for the effects of the actions of the firm upon those externalities. One externality of particular concern is that of the environment; in this context the environment has been defined to include the complete ecosphere, rather than merely the human part of that ecosphere. These concepts form part of the foundations of a concern with environmental accounting.

## International Standards

Governance is concerned with both the rights of shareholders and, increasingly, the rights of other stakeholders. This extended concern has been paralleled in the developments of regulations concerning financial reporting. At the start of the twentieth century it was generally accepted that accounting served the purpose of facilitating the agency relationship between managers and owners of a business through its reporting function, but that the general public had no right to such information (Murphy 1979). Thus as far as the UK is concerned, but paralleled in many other countries throughout the world (Crowther 2000), the Companies Act 1906 stated that there was no requirement for companies to produce financial statements, although the Companies (Consolidations) Act 1908 amended this to require the production of a profit and loss account and balance sheet. This was further amended by the Companies Act 1929 which required the production of these, together with a directors' report and an auditors' report for the AGM. Subsequent legislation has extended the reporting requirements of companies to the format seen today.

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<sup>8</sup> In actual fact Lovelock claimed in his hypothesis that the earth and all its constituent parts were interdependent. It is merely an extension of this hypothesis to claim the interrelationship of human activity whether enacted through organisations or not.

Thus there was at this time a general acceptance that corporate reporting should be provided for the knowledgeable professional rather than the individual investor or potential investor, who was assumed to be financially naive (Mauntz & Sharif 1961), and in order to satisfy the needs of these professionals corporate reports became more extensive in content with greater disclosure of financial and other information. This pressure for greater disclosure was not however new, and Mitchell (1906) argued that the accounts produced did not give an adequate basis for shareholder judgement. All that has changed is the perception of who the reporting should be aimed at with a widening of the perceived intended audience from managers and shareholders to include other professionals. There was at this time little questioning of the assumed knowledge that the financial information is the most important part of the corporate report. The importance of the financial information contained in the reports has changed however and Lee & Tweedie (1977) claimed that the most important financial information contained in the report was the detail concerning profits, earnings and dividends. They equally claimed that the economic prospects of the firm are the most important information contained in the report (Lee & Tweedie 1975) but were dismissive of the private shareholder in recording that the majority read the chairman's report but nothing else (Lee & Tweedie 1977).

This focus upon the development of the financial reporting aspects of corporate reporting of course ignores the development of the semiotic of such reporting and the changing nature of this semiotic. This lack of recognition is despite the acceptance that such reporting had changed over time to become more forward looking, to include more non-financial information including the chairman's report, and to become used by a wider range of people. It has been argued (Crowther 2002; Crowther, Carter & Cooper 2006) that this semiotic of corporate reporting is the most important use of such reporting and the prime vehicle for developing an understanding of such reporting and the changed nature of the reporting itself. Indeed the function of the semiotic is to aid social construction of corporate activity in a way which is mediated through the semiotic (Vygotsky & Luria 1994) in such a way that the interpretation of the reader is controlled from without by the creators of the semiotic. It is further argued that the lack of recognition of the semiotic of corporate reporting has also led to a lack of exploration of the dialectics inherent in such reporting.

The most recent stage in the development of reporting is epitomised by the most dramatic changes in corporate reporting. No longer is the firm seeking to communicate internally – to members or potential members – but rather the focus is upon the external environment. Indeed, no longer do results matter, although still contained in the report but relegated to semi-obscurity, and it is only prospects that matter. Thus the report now becomes predominantly forward looking and, perhaps more significantly, the forward orientation is not upon the economic prospects of the firm but upon the prospects for the shareholder community in terms of rewards – both dividends and share price increases. Additionally the report now acknowledges the rest of the stakeholder community and seeks to demonstrate corporate citizenship by commenting upon relationship with, and benefits accruing to, employees, society, customers and the local community. Indeed the report has tended to become not a communication medium but rather a mechanism for self-promotion. Thus the actual results of the firm's past performance no longer matter but rather the image of the firm is what matters and the production of the report is the event itself, rather than merely a communication mechanism. And of course the

availability of this reporting has increased dramatically as all companies<sup>9</sup> now publish their reports on the Internet as well as on paper, thereby making them potentially accessible to everyone.

## Structure of This Book

The big corporate scandals of a decade ago have been superseded by the much greater problems associated with the financial crisis of 2008 onwards. This in turn has meant that corporate governance has become central to most companies. After the recent big corporate scandals corporate governance has become central to most companies. It is understandable that investors' protection has become a much more important issue for all financial markets after the tremendous firm failures and scandals. Investors are demanding that companies implement rigorous corporate governance principles in order to achieve better returns on their investment and to reduce agency costs. Most of the time, investors are ready to pay more for companies to have good governance standards. Similarly a company's corporate governance report is one of the main tools for investor decisions. Because of these reasons, companies cannot ignore the pressure for good governance from shareholders, potential investors and other markets actors.

On the other hand, banking credit risk measurement regulations are requiring new rules for a company's credit evaluations. New international bank capital adequacy assessment methods (Basel II) necessitate that credit evaluation rules are elaborately concerned with operational risk which covers corporate governance principles. In this respect corporate governance will be one of the most important indicators for measuring risk. Another issue is related to firm credibility and riskiness. If the firm needs a high-rating score then it will have to pay attention to corporate governance rules also. Credit-rating agencies analyse corporate governance practices along with other corporate indicators. Even though corporate governance principles have always been important for getting good rating scores for large and publicly-held companies, they are also becoming much more important for investors, potential investors, creditors and governments. Because of all of these factors, corporate governance receives high priority on the agenda of policymakers, financial institutions, investors, companies and academics. This is one of the main indicators that the link between corporate governance and actual performance is still open for discussion. In the literature a number of studies have investigated the relation between corporate governance mechanisms and performance. Most of the studies have shown mixed results without a clear-cut relationship. Based on these results, we can say that corporate governance matters to a company's performance, market value and credibility, and therefore that every company has to apply corporate governance principles. But the most important point is that corporate governance is the only means for companies to achieve corporate goals and strategies. Therefore companies have to improve their strategy and effective route to implementation of governance principles. So, companies have to investigate what their corporate governance policy and practice needs to be.

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<sup>9</sup> It is accepted that not all companies throughout the world do this yet, but the number of companies which do not report via the Internet is shrinking rapidly. Moreover, it is a requirement in an increasing number of countries.

Management can be interpreted as managing a firm for the purpose of creating and maintaining value for shareholders. Corporate governance procedures determine every aspect of the role for management of the firm and try to keep in balance and to develop control mechanisms in order to increase both shareholder value and the satisfaction of other stakeholders. In other words, corporate governance is concerned with creating a balance between the economic and social goals of a company including such aspects as the efficient use of resources, accountability in the use of its power and the behaviour of the corporation in its social environment. The definition and measurement of good corporate governance is still subject to debate. However, good corporate governance will address such points as creating sustainable value, achieving the firm's goals and keeping a balance between economic and social benefit. Also, of course, good governance offers some long-term benefits for a firm, such as reducing risk and attracting new investors, shareholders and more equity.

Although there is an accepted link between good corporate governance and corporate social responsibility the relationship between the two is not clearly defined and understood. Thus many firms consider that their governance is adequate because they comply with The Combined Code on Corporate Governance, which came into effect in 2003. Of course all firms reporting on the London Stock Exchange are required to comply with this code, and so these firms are doing no more than meeting their regulatory obligations. Many companies regard corporate governance as simply a part of investor relationships and do nothing more regarding such governance except to identify that it is important to investors/potential investors and to flag up that they have such governance policies. The more enlightened recognise that there is a clear link between governance and corporate social responsibility and make efforts to link the two. Often this is no more than making a claim that good governance is a part of their CSR policy as well as a part of their relationship with shareholders.

The purpose of this handbook is to provide a series of chapters concerning the practice of governance and of social responsibility, which have been written by experts from all over the world. In doing so it is our intention to highlight examples of practice, both good and bad, and to show international and cultural similarities and differences while at the same time intending to further the debate regarding the relationship between good governance and social responsibility. In doing this we recognise the different traditions alluded to earlier, although we also recognise the international interest in this topic. Furthermore we recognise that different groups have different perspectives on the subject and that practitioner experience and academic theorising do not always coincide. We have tried to take all of these into account in the development of this handbook as a truly international compendium with contributions from leading academics and leading practitioners. We have therefore structured the book into a logical sequence and represented here the latest in research together with case studies and practical applications in order to make the book accessible to researchers and practitioners. We have organised the book into five parts, each covering a different aspect of this topic:

- Part 1 – Theoretical Overview

In this section we deal with a range of issues of general significance and look at some of the broader theoretical perspectives which underpin the governance and social responsibility concepts.

- Part 2 – Applying Corporate Governance  
A number of particular governance issues relating to organisations are dealt with in this section, as well as a review of the state of understanding of this area.
- Part 3 – Applying Corporate Social Responsibility  
There are an equally diverse range of issues concerned with social responsibility and in this part we focus upon a range of these issues.
- Part 4 – Dealing with Stakeholders  
One of the most important aspects of both governance and social responsibility is concerned with the relationship between the organisation and a range of its stakeholders. This part, therefore, is devoted to a consideration of aspects of this relationship.
- Part 5 – Experience in Practice  
It is always helpful to consider practical applications of issues and this final section is devoted to just that. A variety of contexts are used to consider some of the issues discussed in the previous sections, but in terms of actual organisations.

In this book we do not claim to provide all of the answers. We do not even claim to have dealt with all of the issues connected to governance and social responsibility – corporate or organisation. To deal with all of the issues would require a book at least twice as long, while to provide the answers would require a lifetime's work. We do believe however that we have provided, through the experts involved in contributing to this book, a number of theoretical and practical insights into important issues which will both be of assistance to practitioners and have theoretical benefit to researchers. If any issues are of particular interest and you wish to pursue further, then either contact the publisher or make contact with the Social Responsibility Research Network ([www.socialresponsibility.biz](http://www.socialresponsibility.biz)).

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