REPORT:
International Conference
“CORPORATE GOVERNANCE: A NEW PERSPECTIVE IN SCHOLARLY RESEARCH”
Izmir, October 11, 2018

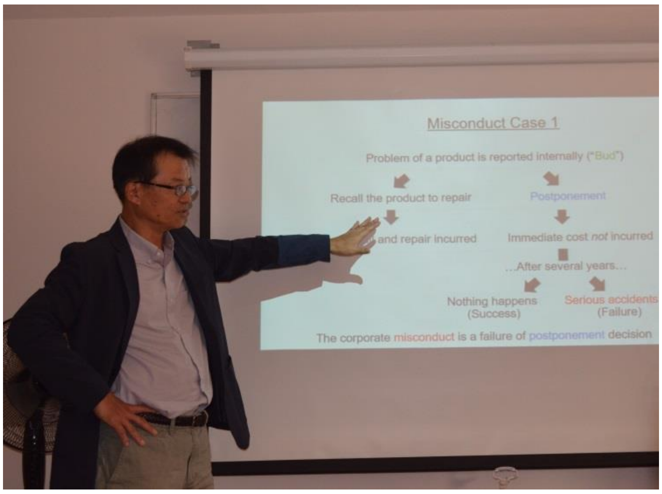
International conference "**CORPORATE GOVERNANCE: A NEW PERSPECTIVE IN SCHOLARLY RESEARCH** " took place in Izmir on October 11, 2018 with the joint organizational participation of The Yaşar University and Virtus Global Center for Corporate Governance and publishing house “Virtus Interpress”. The idea of the conference has been developed by Prof. **Alex Kostyuk** and Prof. **Dilvin Taskin** who co-chaired the conference.

Participants from different parts of the world that represented leading universities and organizations of the USA, the UK, Italy, Turkey, Tunisia, Greece, Japan, South Africa etc. are gathered with the aim to take part in the conference. The main purpose of the conference was to provide the platform for academics and practitioners from many countries of the world to share ideas on new trends that are currently shaping the concept of modern corporate governance. Key focus of the event was on the corporate social responsibility, board of directors’ practices, corporate governance impact on bank performance, etc.

The conference started with the welcome and opening remarks of the conference hosts and organizing committee: Prof. **Levent Kandiller**, Vice Rector of Yaşar University, Izmir, Turkey; Prof. **Dilvin Taskin**, co-chair of the conference, Yaşar University, Izmir, Turkey; Prof. **Alex Kostyuk**, co-chair of the conference, Virtus GCCG, Ukraine. Speakers greeted the participants and wished them productive work and expressed the hope that everyone will contribute to the discussion of important issues, and conference will stimulate the strengthening of the existing network of researches in corporate governance.

Then the floor was given to the first keynote speaker. Professor of Economics and Business Management, Sapienza University of Rome, **Salvatore Esposito De Falco**. *His speech was titled* “New Perspective on Corporate Governance During the Crisis: Evidence by Configurational Approach”. He admitted that in Italy the financial crisis was different. Keynote speaker started his presentation with the research question – what is the optimal board structure which leads to better performance during the crisis? Salvatore Esposito De Falco analyzed the performance of the Italian banking system during the financial crisis (2008-2015) that depends on the specialization and weighting levels of the Board’s decision process.

The second keynote speaker was Professor **Hugh Grove**, representing School of Accountancy, Daniels College of Business, University of Denver, the USA. His speech was titled "Digitalization Impacts on Corporate Governance". Speaker stressed that for improved corporate governance in this age of digitalization, the Board of Directors could investigate key operating performance indicators or KPIs for competitive advantages with Digitalization Dashboards. A starting point for developing such key metrics could be the digital values indicated by the "efficient stock market" with the market to book ratio calculation. Prof. Grove pointed out Key Questions: 1. Why are sophisticated investors indicating that the equity market value or market capitalization of "new economy" companies is almost eleven times larger on average than their equity book value? 2. Why is the average market to book ratio of "new economy" companies over four times larger than for "old economy" companies? 3. What key digitalization metrics and competitive advantages are in play here?



After the break the conference continued in three parallel sessions devoted to various issues of corporate governance. The first session titled "Corporate Governance and Financial Aspects" was chaired by Prof. **Dilvin Taskin** and Dr. **Elizaveta Kravchenko**.

The first speaker **Nobuyuki Teshima** from Senshu University (Japan) analyzed modern finance theory and corporate misconduct. He examined how principal agent theory, entwined with efficient market hypothesis, has intensified the pressure on managers to enhance the shareholder wealth or stock price. Alternatively, a manager recognizing a possible financial loss disappointing stock market has a propensity to use creative accounting method which will make it unnecessary to report the loss. The author also showed that portfolio theory, another feat of modern finance theory, provides the manager with such a rationale. Evidence supporting this view is also presented. The managerial decision, if it turns out to be a failure, will result in a scandal, making the company enter the list of corporate misconducts.

The next presentation was delivered by **Dilvin Taskin** from Yaşar University (Turkey) who analyzed the impact of board characteristics on research and development expenses. Sher study showed that Research and Development (R&D) investment is a critical input for corporate innovation and contributes toward profitability, competitiveness and strategic sustainability. The data covered the period between 2008 and 2017 for the companies that were listed under

Borsa Istanbul-100 Index (BIST-100). Dilvin Taskin concluded that the study had limitations since analyzing the R&D expenses was crucial, but still the outcomes of those expenditures should further be analyzed.

Ahmad Ababneh representing Sapienza University of Rome (Italy) examined the effect of capital structure on banks performance. He investigated the impact of capital structure on Jordanian banks performance and attempts to evaluate the impact of new capital rules and regulations on banks capitalization for a 4 years period from 2013 to 2016. A statistical model was used along with ratio analysis and multiple regressions using SPSS. He noted that capital structure affects bank's ROE. On the contrary, bank's ROE capital structure had no effect on ROA and EPS and showed that there was no significant statistical relationship between size and banks' ROA and ROE, and size affects only banks' EPS.

The last presentation in the first session was delivered by **Salma Belhaj** representing Bank BIAT (Tunisia) who analyzed the corporate governance impact on bank performance evidence from Europe. She investigated the impact of corporate governance on European bank performance during the period 2002-2011. Using a sample of 73 banks from 11 European countries, she examined the relationship between corporate governance measured more specifically the board size and composition, the gender diversity and the CEO duality on the European bank performance. During the global financial crisis, her findings showed that the board size and the board composition are negatively and significantly correlated to the bank performance. Smaller boards of directors with less number of independent (non-executive) directors had outperformed the ones with larger boards and more independent directors during the crisis. However, the gender diversity and the CEO duality had no significant impact on the European bank performance.

After the lunch break the conference was continued by the second parallel session "Corporate Governance and Stakeholders' Engagement" which was chaired by Prof. **Alexander Kostyuk** from Virtus Global Center for Corporate Governance (Ukraine) and by Dr. **Nicola Cucari** from University of Salerno (Italy).

The first presenter was **Antonio Renzi**, representing Sapienza University of Rome (Italy) presented the influence of ownership structure on innovation. He examined how ownership structure impacts such relationship. Empirical evidences showed that there was an inverted u-shaped relationship between slack and innovation due to agency issues. He proposed a conceptual interpretation according to which ownership structure played a remarkable role in moderating the relationship, either positively or negatively, in reason of governance costs. Antonio Renzi reinterpreted the traditional agency problem by originally considering the innovation in terms of utility maximization: excess innovation is value-destroying.

The next presentation followed and was delivered by **Nicola Cucari** from University of Salerno (Italy) who highlighted that even in the Italian context, always identified as a concentrated model, there are situations of “corporate governance deviance”, a non-conforming behavior relative to the zone of conformity defined by the dominant national governance logic. He supposed that a “relational corporate governance model” would emerge, which would allow the company to coevolve with the reference environment and to co-create socio-economic value to all shareholders, thus creating the premises for the survival over time of the company.

Further on **Rafael Savva** representing Lancaster University (the UK) made a presentation titled “Shareholder primacy as a metric of good corporate governance: an analysis of shareholder power as an accountability mechanism”. The research argued that shareholder primacy does not assist in determining whether, and how, shareholder power can enhance accountability. He recognized that the debate provided an insight into the advantages and potential implications of active shareholder participation. However, Rafael Savva argued that shareholder primacy couldn’t configure how shareholders can act as an effective accountability body.

The next presentation titled “The impact of family ownership on the performance of Moroccan listed firms” was delivered by **Ouarda Dsouli** from Northampton Business School, The University of Northampton (the UK). Researcher wanted to provide some perspective into the state of corporate governance practice among Moroccan listed family firms, between 2009 and 2013 onwards. A panel data adopted to examine the relationship between the corporate governance adoption and company performance of family firms.

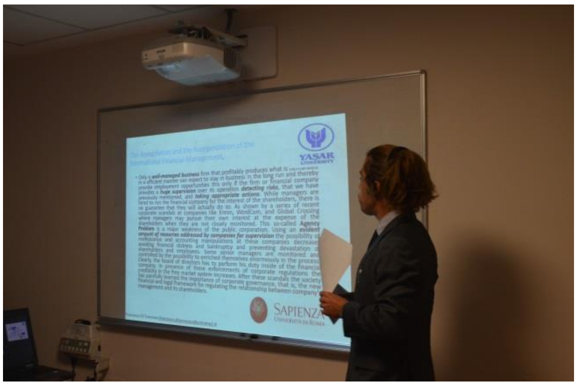
After the networking coffee break the session continued its work.

The third session of the conference that was titled “Corporate governance and sustainable development” and chaired by Prof. Maclyn Clouse and Prof. Themistokles Lazarides.

The lively interest was raised by the report of **Asli Togan Egrican** from Kadir Has University (Turkey), where researcher whether loan pricing, loan maturity and loan securitization are affected from professional connections to bankers. She found that firms connected to bankers via other boards get longer maturity loans but the price and the securitization of loans are not

affected. She further examined whether these results are different during the most recent global financial crisis. The results showed that loan maturities declined and spreads increased during the crisis period for all firms and there is no differential effect on firms with connections. Overall, results suggest that professional connections to bankers help firms secure longer maturity loans, particularly if these relations are more recent.

The scientist from the UK (Henley Business School, Reading University) **Ismail Elshahoubi** identified the level of compliance with CG mechanisms and accountability in Libyan listed companies. It adopts a qualitative approach, using semi-structured interviews to collect the required data from two broad stakeholder groups: internal stakeholders (ISG) and external stakeholders (ESG). The findings of his study provided evidence that Libyan listed companies are to some extent committed to implementing CG mechanisms, but that CG and accountability practices are still at an early stage of development in the country and there are significant weaknesses in terms of practice. Ismail Elshahoubi revealed that the lack of knowledge and awareness about the concept of CG, the weakness of the Libyan legislative environment and the lack of accountability mechanisms are the most significant factors inhibiting the advance of CG in the Libyan environment.



Francesco Di Tommaso from Sapienza University of Rome (Italy) presented his report "Changing corporate governance in the emerging markets: how public and private enforcement works in different contexts?". He considered why such initiatives were being pursued and why continuing reform of the corporate governance system in the UK and elsewhere is necessary. He set the argument by placing the evolution of corporate governance in its historical and theoretical context, focusing mainly on the UK case.

The next presentation followed and was delivered by **Mac Clouse** from University of Denver (the USA) who focused on sustainability to strengthen corporate governance. His research summarized key guidance to help meet such challenges. Boards are essential to helping a company articulate and pursue its purpose, as well as responding to the questions that are increasingly important to its investors, its consumers, and the communities in which it operates. In the current environment, these stakeholders are demanding that companies exercise leadership on a broad range of issues and they are right to do so. Mac Clouse considered a company's ability to manage environmental, social, and governance matters demonstrates the leadership and good governance that is so essential to sustainable growth.

The concluding talk was delivered by **Themistokles Lazarides** from University of Applied Sciences of Thessaly (Greece). The presentation titled "Political Struggle, Power and Corporate Governance: A Machiavellian Perspective". His research was an attempt to encompass Machiavelli's perspective into the corporate governance issues and problems. His view of governance is useful as a tool to understand how and why modern corporations, managers and stakeholders act and react.