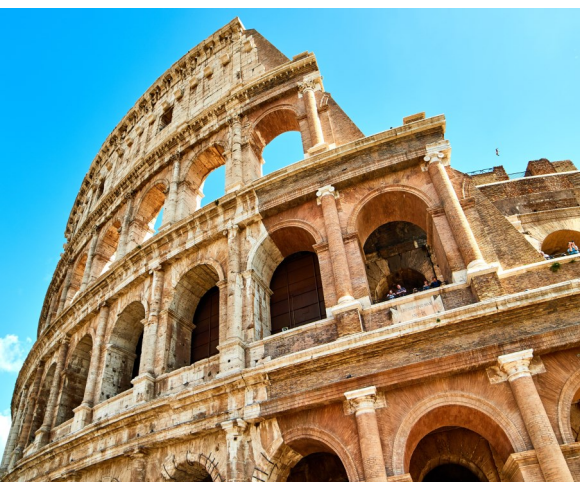


REPORT

International Conference “CORPORATE GOVERNANCE: SEARCH FOR THE ADVANCED PRACTICES”

February 28, 2019, Rome, Italy





Prof. Marco Tutino and Prof. Alex. Kostyuk



Opening remarks



Keynote speaker: Prof. Alessio Maria Paces



Keynote speaker: Prof. Vincenzo Capizzi

International conference "CORPORATE GOVERNANCE: SEARCH FOR THE ADVANCED PRACTICES" took place in Rome on February 28, 2019 with the joint organizational participation of Roma Tre University, Virtus Global Center for Corporate Governance, SIDREA (Italian Society of Professors of Accounting and Business Administration) and publishing house "Virtus Interpress". The idea of the conference has been developed by Prof. Alex Kostyuk and Prof. Marco Tutino who co-chaired the conference. The main purpose of the conference was to provide the platform for academics and practitioners from many countries of the world to discuss the oldest issue of corporate governance - the issue of separation of ownership and control. And the main goal of the conference is to investigate new perspectives and challenges of corporate governance and outline possible scenarios of its development. Key focus of the event was on a broad range of cornerstone issues, i.e. corporate ownership and control, earnings management, audit, corporate social responsibility and compliance, disclosure and transparency issues, risk governance and blockchain, Islamic banking, financial reporting, board of directors' practices, shareholders' rights, etc.

The conference took place at the heart of one of the oldest cities in the world. About 50 experts from 22 countries represented leading universities and organizations from the UK, the UAE, Canada, the Netherlands, Finland, Germany, Italy, Spain, Portugal, Hungary, France, Japan, South Korea, Greece, Turkey, Cyprus, Kuwait, Pakistan, etc. are gathered with the aim to take part in the conference.

The conference started with welcome and opening remarks of the conference hosts and organizing committee: Prof. Marco Tutino, the co-chair of the conference, Roma Tre University, Italy; Prof. Alex Kostyuk, the co-chair of the conference, Virtus GCCG, Ukraine. Speakers greeted the participants and wished them productive work and expressed hope that everyone will contribute to the discussion of important issues, and conference will stimulate strengthening of the existing network of researches in corporate governance.

Then the floor was given to the first keynote speaker. **Alessio Maria Paces**, Professor of Law and Finance, University of Amsterdam, the Netherlands. His speech was titled "The law and the balance between discretion and accountability in corporate governance". He focused on the challenges and market opportunities available to both venture capitalists and the above-mentioned alternative actors, shedding light on the governance issues

faced by new ventures when getting access to such an opaque and risky segment of the capital markets.

The second keynote speaker was **Prof. Vincenzo Capizzi**, Full Professor of Banking and Finance, University of Piemonte Orientale, Italy. He focused on the transformation taking place within the entrepreneurial finance ecosystem, showing data, actors – traditional ones and emerging ones – and governance issues faced by new



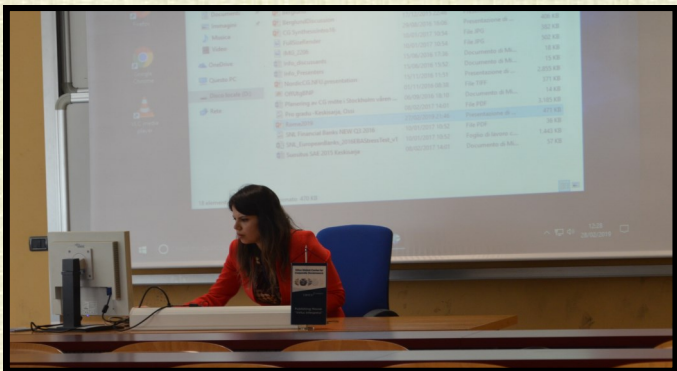
Prof. Alessandro Giosi and Prof. Tom Berglund

ventures getting access to such segment of the capital markets. The keynote speaker raised some seemingly interesting research questions in this area, mainly related to the new governance challenges coming from the simultaneous co-existence of much different – and heterogeneous – kind of investors as well as connecting channels between the supply and the demand for seed funding.

After the plenary session and the networking break, the conference continued in five parallel sessions devoted to various issues of corporate governance. The first session titled "Corporate governance and board of directors' issues" was chaired by **Prof. Alessandro Giosi** from University of 'Libera Università Maria Santissima Assunta

Lumsa', Italy. The first speaker **Philippe Marceau** from Statistics Canada, Government of Canada (Canada) examined gender board diversity and more specifically the prevalence of women as directors and officers within corporations operating within Canada. The research focuses on the years between 2006 and 2016. Data on members of boards of directors from the Corporations Returns Act (CRA) doesn't provide information on gender. A programmer was therefore developed to estimate a probability that a name is associated with a specific gender.

The next presentation was delivered by **Prof. Tom Berglund** from Hanken School of Economics (Finland), who analyzed that in an overall equilibrium in asset markets there will be different types of institutions that are fundamentally different in terms of the required skill sets of their key employees. These different skill sets are optimal for pursuing different types of policies regarding what assets the institution should invest in. Tom Berglund highlighted the way previous empirical results concerning the impact of different types of institutions' ownership on corporate governance can be understood in terms of required skill sets and corresponding incentives.



Meltem Karatepe Kaya (Brunel University London (the UK))

Meltem Karatepe Kaya representing Brunel University London (the UK) presented her report regarding the relationship between the shareholders themselves or the relations between the shareholders and the management. A good protection mechanism for shareholders should firstly convince shareholders that the company is managed by reliable, talented and faithful managers and at the same time ensure that all shareholders are treated equally in the company. When minority of shareholders encounter any problem regarding the company management, they would apply to the court and seek to obtain a remedy.

Further on **Alessandro Giosi** from University of 'Libera Università Maria Santissima Assunta Lumsa' (Italy), made a presentation titled "Earnings management practices in the banking industry: The role of bank regulation and supervision". The purpose of this research is to investigate earnings management purposes in the banking industry via loan loss provisions using a sample of 156 banks from 19 European countries under the Single Supervisory Mechanism (SSM) over the period 2006-2016. This study contributes to the literature exploring the relationship between accounting quality and earnings management objectives by analyzing which one of the latter is the most important determinant.

Daniele Stanzone from Roma Tre University (Italy) talked in his presentation about: 1) general overview of the introduction and application of diversity principles in Italian listed companies; 2) examined the concrete results in terms of performance increase in Italian listed companies due to the growth of the diversity level in the composition of the boards; 3) questioning on the possible effects arising from expiration of law n. 120/2011 and on the effectiveness of the newly introduced soft law provisions contained in the Italian Code of Conduct for listed companies as well as meditating on the potential interrelations between the abovementioned soft law provisions and the rules prescribed by Legislative Decree n. 254/2016; 4) considered the possible implications



Patrizia Riva presenting her report

The next presentation followed and was delivered by **Serkan Kaya** from Brunel University of London (the UK) who explored the suitability of Alternative Dispute Resolution Methods for shareholders disputes. Shareholders disputes can be resolved not only through the court but also through various extra-judicial methods such as negotiation, mediation, arbitration and similar methods. Every method has its own characteristics. As the principle of party autonomy, shareholders and their legal adviser are free to agree on choosing dispute resolution methods to resolve their disputes.

The second session of the conference was titled "Risk governance and financial institutions" and chaired by **Prof. Antonio Renzi**.



Beatrice Orlando, Luca Vincenzo Ballestra, Antonio Renzi,
Simona Arduini, Jesús Sánchez-Araque

deriving from the compliance (or non-compliance) with the diversity principles in terms of corporate governance structures and liabilities of its subjects.

The floor was then given to **Patrizia Riva** from University of Piemonte Orientale (Italy) who presented a research. The objective of this research is to illustrate how SPAC can encourage Italian companies to use the Stock Market to accelerate their growth. The study initially investigates the introduction of the SPAC in the US context due to the late development in the European context, with the aim of understanding their structure and the benefits inherent in this type of vehicle. The study underlines the main characteristics able to make the SPAC more useful so that is able to fit the needs of small and medium Italian companies.

The scientist from Italy (Sapienza University of Rome) **Beatrice Orlando** proposed an original theoretical contribution on the risk behaviour of family firms. Her study aims: 1) to tackle this huge and relevant gap; 2) to investigate how the risk propensity of family firms is influenced by those family members who are in direct control of the company (e.g. by participating of the board of directors). She focused on a specific behavioural characteristic, which is overconfidence.

The next presentation in the session was delivered by **Luca Vincenzo Ballestra** from Alma Mater Studiorum University of Bologna (Italy). In the presentation, Luca Vincenzo Ballestra covered an exceptionally interesting case of interest rate uncertainty in a real option analysis. He discussed the effect of the uncertainty of

future interest rates on real option valuation. In particular, researcher assumed that the interest rate follows the Vasicek model.

Jesús Sánchez-Araque from University of Castilla-La Mancha (Spain) followed with his presentation on the disclosure on enterprise risk and company performance. This study empirically investigates the association between disclosure on enterprise risk that they face in the development of their activity and firm performance over a sample of Spanish companies that were listed in Continuous Market during 2013-2017 period. The objective is to contribute to the literature on information disclosure to show if there is a relationship between the previous variables.

The next presentation followed and was delivered by **Simona Arduini** from Roma Tre University (Italy) who analyzed earnings quality in the insurance companies. She investigated the expected quality's improvement of financial reporting in the Italian insurance sector when the IFRS 17 will be effective. As the quality of earnings derives from the qualitative characteristics of financial information, from the relation among accrual, cash and income and from the discretion in judgments and estimates, scientist examined the innovative range of IFRS 17 and we investigate whether the new standard's rules on Insurance Contracts may effectively affect the quality of



Francesco De Luca, Ho-Tan-Phat Phan

ment of risk and risk management disclosure in corporate reporting. The researchers analyzed the ongoing debate about the effects of a new Italian Legislative Decree No. 254 of December 30, 2016 on firms' disclosure behavior by investigating 1) the interaction relationship among Risk or Risk Management (RRM), Industry, Type of Risk, and Level of Specific Disclosure; 2) the variation of the specific level of disclosing risk-related information across the industries and types of risk; 3) and the different behaviour between risk and risk management



Giorgia Mattei, Mara Del Baldo, Ahmad Alqatan, Patrizia Riva,
Victor Barros, Paola Demartini

disclosure in the aftermath of the regulation's issuance. The session was opened with the presentation of **Ma-ra Del Baldo** from University of Urbino Carlo Bo (Italy) and **Paola Demartini** from University of Roma Tre (Italy). The subject of their analysis – which is empirically based – are the experimental projects promoted by selected Italian Regions, where “hybrid” forms of governance nurtured by alliance among local public institutions, for profit and not-for profit organizations and civil society, are committed to voluntary partnerships which are reciprocally advantageous, and which pursue a common social objective.

Victor Barros from Universidade de Lisboa (Portugal) aimed to test empirically whether corporate tax avoidance is associated with a firms' level of corporate social responsibility (CSR). He used a sample containing 4,453 firm-year observations between 2002 and 2016 from 914 firms listed in the NYSE and in the NASDAQ.

Ahmad Alqatan from University of Portsmouth (the UK) examined the consequences of board diversity. The objectives are to measure the impact of gender, age, national diversity on earnings management (EM). The research uses data from 103 non-financial Kuwaiti listed companies in the period from 2010 to 2017.

Silvia Sacchetti from University of Trento (Italy) focused on forms of CSR of the likes of NPOs, social enterprises, co-operative firms, and multi-stakeholder governance. The main aim of her presentation was to analyze how Corporate Social Responsibility (CSR) can be observed in organizational forms that do not pursue commercial objectives in an exclusive or dominant way or, in other words, organizations that explicitly shape their aim and structure in terms of social responsibility.

The floor was then given to **Giorgia Mattei**, from Roma Tre University (Italy) who presented a research performed together with her colleague **Marco Tutino**. The authors analyzed what types of relationships exist

insurance companies' earnings.

Vladimiro Marini representing – University of Rome "Tor Vergata" (Italy) in his presentation talked about the role of equity stakes and industry expertise in mitigating the risk of financial distress. He examined whether Private Equity acquirers (sponsors) are long-term oriented with their Leveraged Buyout (LBO) European targets. He analyzed how corporate governance mechanisms, namely equity stakes and enhanced industry expertise, affect the target's risk of financial distress (Altman's Z-score; O-score; Zmijewski-Score).

The next presentation followed and was delivered by **Francesco De Luca** from University G.d'Annunzio of Chieti-Pescara (Italy) who, together with his colleague **Ho-Tan-Phat Phan** analyzed the informativeness assess-

ment of risk and risk management disclosure in corporate reporting. The researchers analyzed the ongoing debate about the effects of a new Italian Legislative Decree No. 254 of December 30, 2016 on firms' disclosure behavior by investigating 1) the interaction relationship among Risk or Risk Management (RRM), Industry, Type of Risk, and Level of Specific Disclosure; 2) the variation of the specific level of disclosing risk-related information across the industries and types of risk; 3) and the different behaviour between risk and risk management disclosure in the aftermath of the regulation's issuance. **Antonio Renzi** from Sapienza University of Rome (Italy) continued the session with the presentation devoted to the risk-return analysis of M&A investments. He proposed a theoretical framework aimed to reinterpret the risk-return analysis of equity by re-calibrating the evaluation process on the firm's fundamental. He argued the equity cost of the private firm can be measured as the combination of the following three factors: 1) intrinsic business risk tied to competitive environment volatility; 2) structural characteristics of the firm; 3) capital market dynamics.

The third parallel session “Corporate social responsibil-

between corporate governance, CSR and financial performances. They tried to understand if the premises for others types of relationship exist, in addition to those already identified, e. g., a reversal relationship as the financial performances, as well as CSR performances, influenced the composition of corporate governance. In fact, the strategy decision-making process of companies depends on several aspects: first and foremost, the professional and organizational identity of directors who assume the

value and the selection criteria of the groups they belong to.

The concluding talk was delivered by **Domitilla Magni**, from Roma Tre University (Italy) and it was Skype-presentation, which was titled "Joint ventures success in international market: How emerging-market firms improve value in developed-market firms". She analyzed the reaction of 120 firms listed on the stock market in developed countries in response to joint venture announcements of emerging-market partners, in order to understand whether JV processes are drivers for value creation.

The fourth session of the conference that was titled "Corporate governance and ownership structure" and chaired by **Prof. Stefania Migliori**.

The lively interest was raised by the report of **Tim A. Herberger** from Andr ssy University (Hungary), where researcher focused on the Third Party Ownership (TPO) as an alternative financing option that has become more popular in recent years – especially in football. The aim of his presentation was to reveal practical designs and characteristics of TPOs in professional sports as well as their financial background.

Kotaro Inoue from Tokyo Institute of Technology (Japan) presented his report. He investigated that if a stewardship code enhances monitoring activities of institutional investors on their portfolio firms. Stewardship Codes aim to enhance the quality of engagement between institutional investors and companies.

The floor was then given to **Bruno Marsigalia**, from University of Cassino and Southern Lazio (Italy) who presented a research performed together with his colleague **Emanuela Palumbo**. The authors analyzed the effect of a long-term company culture in terms of economic performance and firm value.

The next presentation was delivered by **Eduardo Esposito** from Sapienza University of Rome (Italy) and **Francesco Mirone** from University of Naples "Parthenope" (Italy). The main aim of their research was to identify, using a qualitative method applied to an Italian case study (Illy Caff ), which key factors can manage in a successful way the generation transition. They suggested the substitution of family managers with non-family managers to professionalizing a family firm.

Verena Klappstein from University of Passau (Germany) presented her report "Corporate governance in the German co-

operative (eG)". In the following research, it will be shown that the by default three-tier structured eG is checked and balanced with regard to these specific principles. For this purpose, four aspects will be looked at: the regulations of the eG's administration regarding its three-tier structure, the possible invalidations of the resolutions and decisions of these, the legal consequences following the violation of director's duties, and, at last, the power that can be bestowed on special control bodies.

Mohamed Karim Kefi representing CERI ISTECH Paris (France) examined the relationship between the financial structure and innovation in family businesses. This research also enables to verify the moderating role of the generational stage in this relationship. The main results indicate that all the traditional determinants of the



Participants of the fourth session

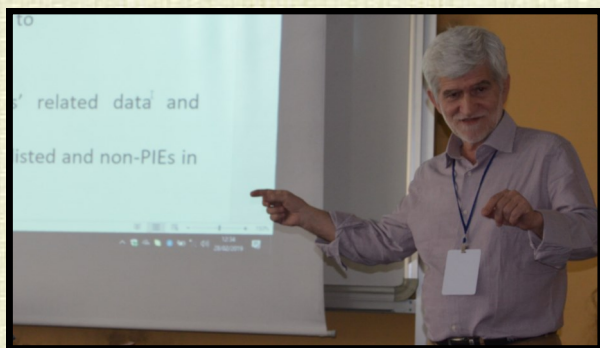


Presenters: Eduardo Esposito and Francesco Mirone



Verena Klappstein, Mohamed Karim Kefi, Stefania Migliori, Francesco Di Tommaso

financial structure, except ROA, play an important role in the financing policy of these firms.



John Filios presenting his report

The concluding talk was delivered by **Francesco Di Tommaso** from Sapienza University of Rome (Italy). He analyzed the best corporate governance model in the European Union. The statistical sample is the main companies in Italy and in the EU where the composition of the sample is the board of directors of them.

The fifth parallel session was headed by **Nicola Cucari** from University of Salerno (Italy) and **Valentina Lagasio** from Sapienza University of Rome, Italy and was titled "Corporate governance, accounting and audit".



Nicola Cucari, Valentina Lagasio, John Quinn,
Loukia Evripidou, Liza Kravchenko, Tom Berglund

John Filios representing Panteion University (Greece) presented a study which examined the status of both Audit Committees (synthesis, rules of operation etc.) and Financial Reporting Quality (according to IFRS and other provisions).

The floor was then given to **Salvatore Esposito De Falco** from Sapienza University of Rome (Italy) who presented a research performed together with his colleague and **Nicola Cucari** from University of Salerno (Italy). The authors analyzed how block-chain technology can influence various aspects of the business even if empirical studies are still lacking to estimate the effective application of technology on corporate governance.

The third presentation in the session was delivered by **Se-Hak Chun** from Seoul National University of Science and Technology (South Korea), who showed that emergence of crypto-currency breaks the concept of existing currency. He examined the effects of crypto-currency on financial markets, especially its effects on monetary policy, and discusses implications for central bank's issuing digital currency.

John Quinn from Dublin City University (Ireland) presented his report "Director liability and reckless trading: The criminal law as a tool of corporate governance". He considered the problem with criminalizing reckless risk taking in companies is that much of corporate law is designed to encourage risk taking. He explored the legal tensions between encouraging entrepreneurial risk taking and deterring reckless risk taking in companies.

The scientist from Cyprus (European University Cyprus) **Loukia Evripidou** examined the effect of post crisis mega mergers on shareholders' value of the acquiring company. Twenty mergers have been evaluated covering all types of deals, vertical, horizontal as well as conglomerate mergers. The findings, in line with the relevant literature, indicate that the abnormal returns for the shareholders of the acquiring company are negative or neutral but in most case not statistically significant.

After the parallel sessions the **Round Table** "Perspectives of corporate governance: Advanced practices on "accounting and finance" approach" was arranged with the Sponsorship support of SIDREA. Prominent speakers took part in the round table and addressed the audience, including: 1) Valentina Lagasio from Sapienza University of Rome (Italy); 2) Themistokles Lazarides from University of Thessaly (Greece) presented his report; 3) Hussain Muhammad and Stefania Migliori from University G.d'Annunzio of Chieti-Pescara (Italy).



Gala dinner

The gala dinner where participants had an opportunity to continue discussions of the topics of the conference and establish new contacts. According to the comments of the participants who attended the conference it was well organized and provided a nice venue to exchange research ideas and establish new contacts.

Organizational committee of the conference would like to express their gratitude to all participants and supporters who joined our international network and despite the freezing weather visited Rome to make their deposit by the high quality presentations and interesting discussions.

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