7.0
CORPORATE GOVERNANCE

Ruth V. Aguilera

Corporate Governance in Strategy

Corporate governance refers to the strategiwc bundle of mechanisms and practices that guide how decisions are made within an organization among its different interest groups (shareholders, managers, boards, and employees) and its broader stakeholders (customers, suppliers, communities, regulators, etc.). Corporate governance entails delineating the rights and responsibilities of each of these interest groups (or stakeholders) relative to firm decisions and resources. Corporate governance is not a new topic, as it concerns fundamental choices on who makes decisions in organizations (who governs), how these decision-makers are monitored and rewarded, and how the created value is appropriated and distributed among the different interest groups (shareholders, stakeholders, and society more broadly). Some new dimensions of corporate governance have emerged such as the salience of the interest groups, the practices for relating with each other, the mechanisms and tactics available to exercise power and voice, the sense of timing and urgency, the interest groups' competitive environment, and the institutional norms within which these groups operate. Corporate governance evolves with strategic corporate needs, individual capabilities, and societal expectations.

Companies and organizations have always been governed. Why is this more complicated than it appears? Simply because individuals and interest groups operate under bounded rationality (Simon, 1991). That is, organizational and societal interest groups do not always share the same values, goals, or logics, and the decisions to reach an agreement, to enforce it, or to voluntarily internalize it can be complex. In addition, there is a clear codependence and coevolution between firm governance and country institutions. For instance, country-level managerial discretion shapes the key strategic decisions that firms make and contributes to their performance and long-term survival. Conversely, governance decisions such as shareholder activism by certain hedge funds can potentially affect an entire ecosystem of financial market institutions and regulations regarding director selection, and institutions and their norms might in turn be trespassed or revised to match firms' corporate governance behavior (Aguilera and Jackson, 2003). This makes most corporate governance research challenging to properly identify and account for the multilevel effects.

The study of corporate governance is highly interdisciplinary, drawing from a variety of scholarly and applied fields with some specialization in the level of analysis (finance, law, sociology, ethics, political science, accounting, economics, and psychology); spans industries and countries; and tackles issues that range from employee representation on the board and CEO incentives in family versus state-owned firms to institutional investors' shareholders' proposals for greater environmental and social disclosure. These governance decisions are all consequential for firms' strategic behavior.

A simple bibliometric search of corporate governance research in four selected top-tier journals publishing strategy research (*Academy of Management Annals, Academy of Management Journal, Journal of Management*, and *Strategic Management Journal*) with the term "corporate governance" in the title, keywords, and abstract reveals that during the last 20 years (2000–2020), there were a total of 283 articles published—10, 64, 75, and 134 in the five-year periods, respectively. However, it is noticeable that in the 2010–2020 decade, there has been a significant increase in corporate governance articles in all these journals. For example, *SMJ* went from 36 in the 2000s to 98 articles in the 2010s. The main governance areas of these articles center around the board and its directors, the CEO, and financial performance. As a second set of keywords, we find, on the one hand, articles drawing on different perspectives of *institution*-related issues such as institutional context, institutional logics, formal institutions, and institutional fit (see Aguilera and Grøgaard, 2019), and on the other hand, on *social*-focused areas, such as corporate social responsibility (CSR) and social performance. More recent topics are institutional owners and shareholder engagement, activism, and stewardship.

There have also been a number of comprehensive review articles; a selected sample since 2010 is listed in Table 1. In addition to the themes already described, additional areas of research emerge: different owners such as family business and state-owned enterprises and their governance, wrongdoing as a governance failure, and comparative corporate governance. The time is possibly right to think about corporate governance of stakeholder voice, particularly organized employees, independent contractors in the platform economy, and new shareholders (e.g., responsible investors and sovereign wealth funds). Interestingly, there is also a large vacuum of corporate governance studies outside the for-profit organizations, such as social enterprises, B-corporations, non-for-profit organizations, and the entire array of hybrid organizations. In a flourishing number of new or revised corporate governance books written from a strategic point of view and targeted to both, academics and practitioners offer different disciplinary perspectives on corporate governance research and practice (e.g., Gordon and Ringe, 2018; Hermalin and Weisbach, 2017; Larcker and Tayan, 2020a; Mallin, 2019; Tricker, 2019; Westphal and Park, 2020; Zattoni, 2020). Similarly, nongovernmental agencies such as the Organisation for Economic Co-operation and Development (OECD; Organisation for Economic Co-operation and Development, 2019), international organizations such as the World Bank and its governance quality index, and different investor agencies such as the Big Four (e.g., PcW, 2020) and

Table 1 Selected review articles from three journals (by publication year order)

Author	Year	Title	Journal	Main focus
Ma, Kor, and Seidl	2020	"CEO Advice Seeking: An Integrative Framework and Future Research Agenda"	*JoM*	CEO
Neville, Byron, Post, and Ward	2019	"Board Independence and Corporate Misconduct: A Cross-National Meta-Analysis"	*JoM*	Wrongdoing
Tihanyi, Aguilera, Heugens, van Essen, Sauerwald, Duran, and Turturea	2019	"State Ownership and Political Connections"	*JoM*	SOE
Brauer, and Wiersema	2018	"Analyzing Analyst Research: A Review of Past Coverage and Recommendations for Future Research"	*JoM*	Analysts
Schnatterly, Gangloff, and Tuschke	2018	"CEO Wrongdoing: A Review of Pressure, Opportunity, and Rationalization"	*JoM*	Wrongdoing
Boyd, Gove, and Solarino	2017	"Methodological Rigor of Corporate Governance Studies: A Review and Recommendations for Future Studies"	*CGIR*	Methods
Uhde, Klarner, and Tuschke	2017	"Board Monitoring of the Chief Financial Officer: A Review and Research Agenda"	*CGIR*	Boards
Boivie, Bednar, Aguilera, and Andrus	2016	"Are Boards Designed to Fail? The Implausibility of Effective Board Monitoring"	*Annals*	Boards
Busenbark, Krause, Boivie, and Graffin	2016	"Toward a Configurational Perspective on the CEO: A Review and Synthesis of the Management Literature"	*JoM*	CEO
Colli, and Colpan	2016	"Business Groups and Corporate Governance: Review, Synthesis, and Extension"	*CGIR*	BGs
Cuomo, Mallin, and Zattoni	2016	"Corporate Governance Codes: A Review and Research Agenda"	*CGIR*	Codes
Gabaldon, de Anca, Mateos de Cabo, and Gimeno	2016	"Searching for Women on Boards: An Analysis from the Supply and Demand Perspective"	*CGIR*	Diversity
Grosman, Wright, and Okhmatovskiy	2016	"State Control and Corporate Governance in Transition Economies: 25 Years on from 1989"	*CGIR*	SOE

Continued

Table 1 *Continued*

Author	Year	Title	Journal	Main focus
Jain, and Jamali	2016	"Looking inside the Black Box: The Effect of Corporate Governance on Corporate Social Responsibility"	*CGIR*	CSR
Schiehll, and Martins	2016	"Cross-National Governance Research: A Systematic Review and Assessment"	*CGIR*	Cross-national
Aguilera, Desender, Bednar, and Lee	2015	"Connecting the Dots: Bringing External Corporate Governance into the Corporate Governance Puzzle"	*Annals*	CG
Krause, Semadeni, and Cannella	2014	"CEO Duality: A Review and Research Agenda"	*JoM*	CEO
Johnson, Schnatterly, and Hill	2013	"Board Composition beyond Independence: Social Capital, Human Capital, and Demographics"	*JoM*	Boards
McNulty, Zattoni, and Douglas	2013	"Developing Corporate Governance Research through Qualitative Methods: A Review of Previous Studies"	*CGIR*	Methods
Gedajlovic, Carney, Chrisman, and Kellermanns	2012	"The Adolescence of Family Firm Research: Taking Stock and Planning for the Future"	*JoM*	Family Firm
Gomez-Mejia, Cruz, Berrone, and De Castro	2011	"The Bind That Ties: Socioemotional Wealth Preservation in Family Firms"	*Annals*	Family Firm
Aguilera, and Jackson	2010	"Comparative and International Corporate Governance"	*Annals*	CG

Note: Annals (*Academy of Management Annals*), *CGIR* (*Corporate Governance: An International Review*), and *JoM* (*Journal of Management*); BG (Busiess Group); CEO (Chief Executive Officer); CG (Corporate Governance),CSR (Corporate Social Responsibility), and SOE (State owned Enterprise).

consulting firms (McKinsey, 2018) continue to produce surveys and issue increasingly detailed reports on boards, compensation, diversity, sustainability, geopolitical tensions, and digital preparedness.

Highlights of Existing Corporate Governance Research

Corporate governance and its dimensions and processes have been studied mostly as precursors to multiple organizational outcomes (e.g., cost of debt, product and geographic diversification, investments in research and development (R&D) and CSR), although a great deal of attention in strategy research has been devoted to firm financial performance and firm survival. Larcker and Tayan (2020b: 5) state that good corporate governance is a "set of processes or organizational features that, on average, improve decision-making and reduce the likelihood of poor outcomes arising from strategic, operating, or financial choices, or from ethical or behavioral lapses within an organization."

Thus, the quality of a company's corporate governance is believed to be a key component contributing to its success because it is the engine that decides where to invest, how to share dividends, how much risk to take, which chief executive officer (CEO) to hire, how much to pay her or him, when to comply with regulations, to whom political contributions are given, and a long list of firm strategic decisions. These decisions are typically shared among owners, the board of directors, the top management team (TMT), and employees, although with differing actor weights across these decisions depending on the type, location, and industry of the firm. Firm success is attributed to good governance, including leadership—see the strategic leadership Part in this volume. Conversely, corporate scandals, such as the Boeing 737 MAX 8's safety violations and "Dieselgate" on emissions testing, are often seen as the outcome of corporate governance failures in terms of internal controls, robust materiality process, and transparency.

Even though sociologists have long written about the distribution of power and authority within organizations, legal scholars have given a lot of thought to the nexus of property rights (Berle and Means, 1932), and economists have studied the costs of contracts within the firm (Williamson, 1996), it was not until the enlightened combination of strong stock markets, managers gaining more control over firm's decisions, and dispersed ownership that the popularity of agency theory exploded (Jensen and Meckling, 1976). Many strategy scholars studying corporate governance have been heavily influenced by agency theory, focusing mostly on internal governance mechanisms (ownership, boards, and incentives). These are indeed critical pieces of the corporate governance puzzle, and the next two chapters in this volume are dedicated to boards and owners.

Internal and external corporate governance mechanisms

The tripod in the early corporate governance studies was owners-boards-managers, and the problems that corporate governance had to solve were their potential conflicts of interest. The large missing insider piece was employees, which was left to the field of industrial relations and later human resource management. Given the changing nature of employment relationships—for example, as independent contractors, knowledge workers, or collective pension fund holders—the role of employees in the corporate governance equation deserves more attention. The relationship between the structure (not as much the behavior) of boards and managers, particularly the CEO, has been well researched (Daily and Schwenk, 1996). These studies focus on an array of topics, such as political ideology (Park, Boeker, and Gomulya, 2020), board diversity (Guldiken *et al.*, 2019; Knippen, Shen, and Zhu, 2019), monitoring (Desender *et al.,* 2016), corporate misconduct and lack of transparency (Lungeanu, Paruchuri, and Tsai, 2018; Gomulya and Boeker, 2016), board-TMT relations such as lone insider boards (Zorn *et al.*, 2017), and dual leadership (Krause, 2017). Studies include an agency theory perspective, sociocognitive approaches, and now board behavior as well as institutional forces shape the board-management relationship and in turn organizational outcomes.

Interestingly, the other side of the insider corporate governance link—the owner-board relationship—has not received as much attention, possibly because early studies were more interested in publicly traded firms with widely held ownership where the relationship was more at arm's length. Recent research has focused on the different types of owners, as presented in Connelly's (2021) chapter in this volume. Yet less attention has been given to how these different owners influence boards. The first premise is the acknowledgment that owners and shareholders are not homogeneous, as they differ in their concentration, type, and control rights. In a review, Federo *et al.* (in press) examine how different types of owners (pertaining to family, lone founder, corporation, institutional investor, state, and venture capitalist) influence board governance practices, defined as board structure (visible board design features), composition (directors' characteristics), and processes (boards' practices and behavioral patterns to fulfill their functions). The authors also look at how ownership type influences board functional performance in terms of monitoring, resource provision, and strategic involvement. They show that organizational outcomes from this owner-board governance are highly contingent on the type of owners' behaviors and interests as well as the country in which the firm is operating. This research confirms the rejection of the "one-size-fits-all" best-practice approach in board governance advocated by some policymakers, scholars, and corporate governance activists. Also the research underscores the significance of contingent effects of different types of owners' behaviors and interests in shaping and assessing board governance.

Outside the firm, a series of external corporate governance mechanisms interact with the internal mechanisms. Walsh and Seward (1990) focus mostly on the market for corporate control as a disciplinary tool, albeit a credible threat. Aguilera *et al.* (2015) expand on and discuss the list of the following external corporate governance mechanisms: the legal system, external audits, rating organizations, stakeholder activism, and the media. Then the authors explore whether and how different external mechanisms interact with internal ones to shape firms' governance in terms of protection of stakeholder rights and enforceability, managing stakeholder relations, information disclosure and strategy, and ethical guidance.

Business groups

Organizational structures such as business groups are very much part of the economic landscape of a great number of countries, including South Korea and Italy, and particularly in emerging markets. Scholars have studied business groups extensively, and they continue to evolve and reinvent themselves. Originally, they were created for organic growth through diversification as well as to be more resilient to risk. While business groups have at times been used to expropriate minority shareholders and to artificially sustain unprofitable businesses, particularly state-owned enterprises, their strategic structure equips them with some unique capabilities. For example, in a review article on the relationship between business groups and internationalization, Aguilera, Crespí-Cladera, *et al.* (in press) show that the structure of these business groups' ownership and group affiliation determines internationalization patterns. In addition, the authors also discovered that director and CEO characteristics are associated with the likelihood of pursuing internationalization strategies. Chittoor, Aulakh, and Ray (2019) also show that CEOs tend to pursue international strategies when firms underperform, and this effect is smaller for business groups, as CEOs have more autonomy in the decision-making in stand-alone firms. The business group organizational structure has been taken for granted, but many multinational corporations have adopted it, and it is also common with family and state-owned firms. More research is needed to understand the effectiveness of business groups and whether and how they achieve the purposes for which they were intended.

Shareholder engagement and stewardship

There is a growing stream of research within corporate governance examining how different types of shareholders express their voice or pressure firms to pursue their financial and nonfinancial interests. Some of the engagement mechanisms are included in the following. First, an entire body of work, in parallel with finance studies, focuses on institutional investors' engagement or lack thereof (for instance, index funds). Particularly exciting is research on activist hedge funds, their governance requests (e.g., board seats) and subsequent consequences of their activism for firms (e.g., Ahn and Wiersema, in press; DesJardine and Durand, 2020). A second growing line of research studies the unique corporate governance of responsible investment funds (Yan, Ferraro, and Almandoz, 2019) as well as socially oriented shareholder activism (Hadani, Doh, and Schneider, 2018). They look at market mechanisms such as alignment of managerial pay with sustainability practices (Flammer, Hong, and Minor, 2019) and nonmarket mechanisms borrowed from social movements such as boycotts (McDonnell and King, 2013).

Third, many countries have adopted soft regulation to enact stewardship codes following the initial codes of good governance in the United Kingdom in 2012. These codes encourage deliberate interactions on matters such as strategy, performance, risk, capital structure, and corporate governance between companies and institutional investors and asset managers toward more responsible and long-term-oriented value creation. Fourth, research on shareholder voting and shareholder proposals has also proliferated as there is more access to the data as well as interest groups such as unions, religious organizations, and socially conscientious investors that express their voice (Iliev *et al.,* 2015). There are research opportunities to further explore the influence of shareholder voting in corporate governance, particularly in different proposals. Fifth, as a form of engagement, some French companies are issuing loyalty shares to shareholders who are long-term oriented (Bolton and Samama, 2013). Finally, there is a set of investment assets such as the sovereign wealth fund of Norway and the pension fund of California that engage in activism by warning investee companies of the potential risk of delisting them from their large portfolios if they do not adhere to certain corporate governance and sustainability rules. Shareholder activism is an area of corporate governance that should receive more strategic attention, given the increasing power of shareholders with access to information and more impactful and less costly tactics such as social media exposure.

Corporate political activism

Governments and companies have a symbiotic relationship. There is work that examines the nonmarket strategies that firms and governments undertake, such as inviting politicians to the board or having CEOs advise the government. In the case of state-owned companies, it is more apparent (Tihanyi *et al.,* 2019), but these interconnections occur across all types of ownership. A specific kind of corporate political activism is when companies contribute to political parties or engage in lobbying (Hadani and Schuler, 2013; Hillman, Keim, and Schuler, 2004). The motivation for this corporate political spending is generally attributed to minimizing the environmental uncertainty when government changes the rules of the game. This is confirmed in a study by Shi, Gao, and Aguilera (in press) where they analyze the political spending of U.S. firms with foreign institutional investors as part owners. They find that the greater the level of foreign ownership, the greater the spending, and that this relationship is contingent on the firms' dependence on government contracting and the strategic nature of the industry. Following the *Citizens United* ruling in the United States, political spending there is expected to keep growing and to interfere with other firm governance decisions.

Theoretical innovations

In terms of theoretical innovations, in addition to multiple developments and extensions to resource dependency theory (Marquis and Qian, 2014), stakeholder theory (Freeman *et al.,* 2010), and actor-center institutionalism (Aguilera and Jackson, 2003), three perspectives contribute to existing debates in corporate governance. The first one, team production, is an old idea transplanted from economics into the governance setting. Blair and Stout's (1999) team production model of governance departs from the premise that shareholders are the only ones to contribute to the corporation;

rather, other members of the production function also contribute to value creation, therefore suggesting a team production model of internal and external members with the board as a mediating hierarchy for distributing the surplus of team production and resolving the disputes among stakeholders. Lan and Heracleous (2010) contrast team production theory with agency theory to explain the superior bargaining power of the board vis-à-vis shareholders.

The second perspective is the development of behavioral theory to understand corporate governance processes, with a strong reliance on sociocultural dynamics, decision-making, and political bargaining. For example, Van Ees, Gabrielsson, and Huse (2009) propose that a behavioral theory of boards and corporate governance should focus on interactions inside and outside the firm—decisions are made by coalitions of actors, and outcomes are the result of political bargaining—thus, cooperation is part of the process of board decision-making. Westphal and Park's (2020) book draws on symbolic management to integrate the different components of behavioral processes into one agentic, political process by which "organizational actors leverage norms, values, beliefs, and assumptions in the broader culture to exert influence over perceptions and behavior of organizational stakeholders" (1). Westphal and Garg (2021) discuss further these fruitful theoretical insights and its contribution to corporate governance research in this volume.

The third perspective is deliberative corporate governance, which draws from political philosophy and seeks to introduce greater democracy into the governance process (Scherer and Voegtlin, 2020). It encompasses bringing into the public discourse all the stakeholders and having reflexivity and participation as the building blocks toward reaching authentic, inclusive, and consequential responsible decisions. According to Scherer and Voegtlin (2020), deliberation can help corporations define the right goals, choose the appropriate means, and secure social acceptance. Acosta, Acquier, and Gond (2019) tested this perspective against coercive norms within a Colombian supplier company during the implementation of a client's global CSR program. It is a powerful perspective particularly in the processes that require stakeholder involvement and seek social innovations to tackle grand societal challenges.

Comparative corporate governance

Comparative corporate governance research focuses on the nature of the country's corporate governance to understand how firms' governance differs across countries (Aguilera and Jackson, 2010). A related area of research is that of the corporate governance of the multinational corporation (MNC) and how, as its subsidiaries cross borders, they adopt their host countries' governance practices (Aguilera, Marano, and Haxhi, 2019). Comparative capitalism work in political economy has categorized advanced industrialized countries into coordinated (Germany and Japan, civil law) and liberal market economies (United Kingdom and United States, common law) (Hall and Soskice, 2001). The argument is that the institutional environment of these market economies defines the coalitions among corporate governance actors (Aguilera and Jackson, 2003), the ownership firm concentration (La Porta, Lopez-de-Silanes, and Shleifer, 1999), employee rights, and most other governance practices. Building on this institutional and actor-centered perspective, Fainshmidt and colleagues (2018) classified understudied countries in terms of their institutions and corresponding corporate governance systems.

The argument is that corporate governance systems are the product of the history of the industry and country in which an organization is embedded. Specifically, the industrial and national institutional settings define the political and economic power of different interest groups, their voice, authority, and exit. While most of the corporate governance research has been conducted in the U.S. context, the United States is an outlier in terms of its unique ownership structure, developed and sophisticated financial intermediaries, strong minority shareholder rights, weak employee rights, open labor market, aggressive corporate political activism, and lack of welfare state, to mention just a few aspects of American exceptionalism. It is now more imperative that we examine alternative corporate governance systems that have proven resilient to financial crises (possibly Canada) that are built on egalitarian values (Nordic countries), religious tenets (Middle Eastern countries), or strong family/clan values (Asian countries).

Three areas of research in the linkage between country and firm governance require attention, particularly from a comparative corporate governance perspective. First is the belief that the quality of corporate governance at the country level leads to more competitive economies. For example, the OECD claims that "[Good] corporate governance is an essential means to create an environment of market confidence and business integrity that supports capital market development and corporate access to equity capital for long-term productive investments. As a matter of fact, the quality of a country's corporate governance framework is of decisive importance for the dynamics and the competitiveness of a country's business sector" (Organisation for Economic Co-operation and Development, 2019: 9). This strong relationship requires further empirical work, particularly outside the United States, to demonstrate the country-firm governance relationship and its causality, along with the definition and measurement of a high quality of corporate governance and for whom. Some societies might be more effective with informal governance norms because they are more effective than formal rules. It also remains to be answered whether the country or the organization has the most influence on firm governance.

A second line of research that emanates from this country-versus-firm governance discussion is how transportable governance practices are across countries. On the one hand, one area that needs more research is the efforts that firms make to change their governance by going to other countries. For example, *bonding* is where firms become listed on foreign market exchanges to borrow the quality of the country's corporate governance and gain governance legitimacy. Alternatively, *governance arbitrage* is when firms locate in a country with lower-quality corporate governance to bypass stringent home-country corporate governance practices such as disclosure requirements or independent boards. Alternatively, there are studies on the diffusion of corporate governance practices around the world, which started with codes of good governance, contingent pay, and more recently have addressed diverse boards and TMTs. The challenge here is that many corporate governance practices do not translate well across borders and might be only symbolically adopted.

Finally, most countries fall in some ideal type of corporate governance system where its different pieces are in equilibrium to reinforce each other—such as strong employee voice, strong internal labor markets, and employee training, or weak minority shareholder rights, ownership concentration, and weak capital markets (Aguilera and Jackson, 2003). However, further empirical research is needed to identify when some firms enjoy significant degrees of freedom or governance deviance in their corporate practices, and how they exercise them (Aguilera, Judge, and Terjesen, 2018). Firms might choose to operate outside of the zone of acceptance of a given country's corporate governance system because it gives them a competitive advantage. As firms become more global, we need to better understand whether national governance systems will evolve to a new hybrid or will converge, as there are only a few golden rules of corporate governance.

Salient Corporate Governance Themes for Changing Times

The significant technological, environmental, socioeconomic, and geopolitical changes in the last two decades—topped off with the 2008 global financial crisis and the 2020 global health crisis—have highlighted the potential for firms and their corporate governance as possible rescuers and mitigators, particularly as public governance is facing its own challenges given the urgency of these global grand social challenges. In turn, firms and financiers are realizing that paying attention to these grand social challenges can buffer their long-term risk. Boards, shareholders, and other governance actors lead the shifting nature of value creation as new demands and societal expectations arise. Three critical themes emerge: the debate on the purpose of the corporation, raising demands for CSR accountability in light of the UN Global Sustainability Goals and other transnational initiatives, and the need to rein in the digital economy and its companies.

The purpose of the firm and rekindling the debate on shareholder-stakeholder maximization

The world is at a crossroads in terms of political, economic, and social turmoil. Regular citizens, whether shareholders through their pensions, the Sisters of St. Francis Philadelphia, or part-time baristas or Uber drivers without benefits, now have more information on what firms do, how their CEOs think, where they source their products, and so on. In addition, global institutional investors are increasingly aware of the financial significance of companies' environmental and social strategies, bringing much greater attention to companies' societal responsibilities. It is possible that we are returning to the roots of capitalism, where corporations were expected to not simply maximize shareholder value but also to safeguard nonshareholder stakeholder interests. These pressures have led to a growing number of corporate and institutional advocates around the world calling for firms to think about their purpose.

In Europe and other parts of the world, this debate has not been as prominent because stakeholders are typically protected in the law or by stronger social norms. In the United States, the movement toward safeguarding the stakeholders started in the 1980s with Martin Lipton's corporate governance innovation of the poison pill to protect companies from hostile takeovers (Lipton and Rosenblum, 1991), and reemerged in 2016 when he started collaborating with the World Economic Forum to design a "new paradigm" for corporate governance. The debate about the purpose of the firm beyond shareholders was heightened with Larry Fink's (CEO of the world's largest asset manager, BlackRock) letter to shareholders in January 2018 asking companies to find a "sense of purpose." This was followed by a cascading trend of strategic leaders becoming societal leaders for advancing social change (Krause and Miller, 2021) such as the U.S. Business Roundtable's (BRT) revised statement in August 2019 on the purpose of the corporation beyond maximizing shareholder value (Harrison, Phillips, and Freeman, 2020) and the Davos Manifesto of 2020: The Universal Purpose of the Company in the Fourth Industrial Revolution. Scholars such as Colin Mayer in his 2018 book *Prosperity,* and the subsequent report titled "Principles for Purposeful Business," have articulated innovative ideas to reinvent capitalism to be more socially and environmentally focused. Along the same line, France introduced a regulation in its commercial code that firms were required to publicly state their purpose (Filatotchev, Aguilera, and Wright, 2020). In the questioning of the purpose of the corporation and shared value initiatives, new organizations are constituted as social enterprises, for-benefit corporations, and other hybrid models that seek to pursue simultaneously economic and noneconomic goals.

This stakeholder orientation based on the stakeholder perspective (see the chapter by Barney and Mackey in this volume on the stakeholder perspective) has heavily influenced corporate governance research and given rise to proponents of stakeholder capitalism, particularly in corporate law. Stakeholder capitalism rests on the premise that firms' value creation cannot be achieved solely by maximizing short-term shareholder value as it also requires the management and oversight of long-term risks and opportunities. Similarly, stakeholder capitalism incorporates the idea that simply attending to shareholders is myopic because the firm is created as a system that depends also on the broader stakeholders for its survival. This perspective rejects the idea of maximizing one interest group to the exclusion of all others.

Questions have been raised about stakeholderism from different fronts. First, there is the question of whether focusing on stakeholders and firm purpose beyond maximizing shareholder value might be a rhetorical strategy. Second, the Council on

Institutional Investors (CII) stated that the BRT statement shows a potential lack of accountability to firms' shareholders, and Bebchuk and Tallarita's (in press) article argues that this call has no teeth because, among other things, it was not consulted on by the board and firms do not seem to change their practices beyond words.

The once-sharp distinction between shareholder and stakeholder systems of corporate governance has become blurred, at least regarding rhetorical commitments to broader stakeholder interests and overall responsibility, with important implications for corporate governance. Two implications of this inward focus are (1) investors' heightened responsible engagement and (2) further requests for environmental, social, and governance (ESG) disclosure. Future research should analyze the mechanisms of stakeholder engagement and their success, as well as bring much-needed clarity to the materiality and roadblocks to nonfinancial disclosure. These two areas are possibly more advanced outside the United States, where regulation has been debated at the transnational level, such as the European Union.

The visibility of environmental, social, and governance (ESG) rating and reporting and its challenges moving forward

As an almost separate movement from the "purpose of the corporation" and triggered by imminent societal grand challenges—particularly concerning climate change, economic inequality, and diversity issues—there has been a tremendous interest and increase in corporate social responsibility (CSR) and financial instruments of responsible investments. For instance, in the United States, 1,243 institutions jointly having $14 trillion in assets have pledged to divest of fossil fuels (GoFossilFree.org), and globally a total of $32 trillion in assets is managed under the broadest definition of responsible investment. Corporate governance is at the core of sustainability decisions, yet little research has been conducted at the intersection of corporate governance and CSR (an exception being Jain and Jamali, 2016; Zaman *et al.*, in press). In a recent systematic review of 124 articles focusing on corporate governance and environmental sustainability, Aguilera, Marano, *et al.* (in press) discuss the contribution of each corporate governance actor (shareholders, managers, directors, and employees) to environmental sustainability outcomes, broken down into environmental strategy (e.g., proactivity, reactivity, and inertia), environmental performance (e.g., emissions, improvement, and violations), and environmental disclosure (e.g., voluntary vs. mandatory). We suggest developing a wholistic perspective that explores how the different corporate governance actors engage with each other regarding environmental decisions, the need to explore further the risks of greenwashing related to the adoption of symbolic as opposed to substantive practices, and scant attention to the global dimension and scalability of environmental issues.

There are important cross-national differences in CSR measurement, requirements, enforcement, and compliance because firms operate in different institutional environments. A study by Surroca *et al.* (2020) analyzes the types of CSR investments (symbolic vs. substantive) that managers with different shareholder orientations (shareholder vs. stakeholder value maximization) pursue if alleviated from short-termism pressure by different entrenchment governance practices (i.e., golden parachutes, poison pills, staggered boards, etc.). The authors find that, in short-term and shareholder-maximizing countries such as the United States, when managers are relieved from short-term pressures they are more likely to invest in substantial CSR that contributes to ultimate firm financial value. Instead, it seems that in countries with more patient capital and a longer-term view, managers are more likely to ally with majority owners and invest in symbolic CSR that does not necessarily contribute to financial performance. We know that corporate governance practices do not travel well across countries as they operate in tandem with other practices in the corporate governance bundle.

The main risk of these sustainability efforts from the corporate governance point of view is greenwashing—decoupling the sustainability efforts into mere symbolic actions but not fully adopting them, thereby conveying a false impression that the firm is engaging in sustainable practices. This risk could be minimized with proper measurement, standardized reporting, and mandatory disclosure that enable corporate governance actors to make better sustainability investments. Three challenges stand out when it comes to reporting: (1) the insufficient materiality of some of the items disclosed (Khan, Serafeim, and Yoon, 2016), (2) the fragmentation in reporting standards, and (3) the lack of integration of ESG and data stewardship into mainstream financial reporting. The International Business Council and the Big Four accounting firms have developed a joint framework for ESG reporting that they hope companies will adopt in their future accounting for non-financial reporting. This still is not fully convergent with existing reporting frameworks such as the Task Force on Climate-Related Financial Disclosure, the Sustainability Accounting Standards Board, and the Global Reporting Initiative. Given the urgency of the issues related to ESG, the primary concern for future research would seem to be to understand how ESG works around the world and to assess its impact for firms and society. Future research could examine the relationship between quality of reporting and substantive corporate change and its effects on a firm's long-term value creation. Another interesting question to explore is what types of governance might facilitate the coordination of different stakeholders to persuade firms to become heroic leaders in this space.

Corporate governance of artificial intelligence

The unprecedented growth in digital innovation beyond "the internet as we know it" is creating new business opportunities and business models that bring in economic value by transforming existing companies (Kellogg, Valentine, and Christin, 2020). This is especially prevalent in strategic industries, such as health care, transportation, and energy, which have incorporated applications of artificial intelligence (AI) into their operations and processes—for example, robotics and autonomous vehicles, computer vision, virtual agents, and machine learning have become more efficient. Stanford University's AI Index 2019 Annual Report (Perrault *et al.*, 2019) reveals that global private AI investment in 2019 was over US$70 billion, and global investment in AI start-ups rose from a total of US$1.3 billion in 2010 to over US$40.4 billion in 2018. This AI revolution fed with big data generates a new socioeconomic fabric, sometimes referred to as "surveillance capitalism" (Zuboff, 2019), and—with calls to rein in unsupervised algorithms (Hosanagar, 2020)—will continue to shape and disrupt organizational activities (Wright and Schultz, 2018). Effectively exploiting AI will require not only operational innovations but also new governance practices and mechanisms that support complex and responsible cross-sector and cross-border AI collaborations, and that protect governments, companies, and users. Possibly triggered by the COVID-19 pandemic, AI decisions have been elevated to the board of directors because of their systemic impact and potential risks. It is important to think about frameworks that can help us govern AI in a responsible and ethical way that contributes to firm value and societal progress.

Emerging markets will likely play a disproportionate role in driving digital innovation because of their high GDP growth rates, competitive cost structures, and relatively lax regulations. Ideally, AI innovations will help close the traditional digital divide and narrow the economic inequality within and across countries. However, new or enhanced institutions, legal frameworks, and global governance structures will be necessary to facilitate and regulate the responsible widespread use of digital innovation and AI in research and development, intellectual property, data management, and privacy domains. Companies in emerging markets can use corporate governance to better structure their AI and, in turn, use AI to strengthen corporate governance. Future research needs to help identify supportive corporate governance systems that allow the deployment of low-cost innovative solutions with widespread impact.

The main challenges include the fact that technology often advances much faster than rules and norms to regulate the results of it (Flyverbom, Deibert, and Matten, 2019) and that technological growth is occurring on a global scale, that is, across national boundaries. Additionally, advances in technology make it possible to collect and process vast amounts of data with increasing smartphone adoption, internet access, and social media activity. Online user activity (in the forms of clicks, purchases, GPS location tracking, etc.) leading to generation of big data gives rise to a new problem—that of privacy and user consent. At the regulatory level, the European Union (EU) has made the most progress with the General Data Protection Regulation (GDPR) law on data protection and privacy covering all European companies and companies operating in the EU and European Economic Area. The primary goal of this EU law is to harmonize and simplify existing EU regulation on data protection and processing, allowing individuals to control their personal data. A close follower is the California Consumer Privacy Act (CCPA), which was signed in 2018 and came into effect on January 1, 2020. These two regulations are much needed in a world replete with digital transactions and may prove to be a harbinger of regulatory change in guiding boards, managers, and customers.

Aguilera and Chhillar (2020) review the existing management and strategy literature on AI and conclude that we are in the embryonic stages of this research in this field, with more questions than answers. The Von Krogh, Ben-Menahem, and Shrestha chapter in this volume provides more detail on digital strategies and artificial intelligence. From the point of view of corporate governance, the two main challenges are bias and opacity. First, as data get bigger and algorithms become smarter, organizations often end up with unintended consequences, such as biased outcomes due to biased training data or agents strategically self-learning to alter the functioning and output of the algorithm (Choudhury, Starr, and Agarwal, in press; Lambrecht and Tucker, 2019). For example, Amazon discontinued its machine learning–based hiring platform due to a gender bias that occurred as a result of biased training data. The machine learning model disproportionately favored male applicants based on its training based on résumés of candidates received by Amazon in the last 10 years, which contained an overrepresentation of male candidates (Shrestha, Ben-Menahem, and von Krogh, 2019). Moreover, often there is *opacity* about how the algorithm produces a given efficient outcome. This leaves little room for monitoring and revising, suggesting a greater need for self-governing and external mechanisms to promote accountability and responsibility.

The corporate governance of AI in organizations is a fruitful area of study, both conceptually and empirically, given the need to address imminent questions. Suggestions for future research include the following: How is AI-created value distributed among the different users? How can the boundaries be designed where the firm ends and the user starts? Who has the responsibility over the algorithms and the data that are fed into them? How can digital audits be structured to allow for greater disclosure and transparency? Who should regulate boards to responsibly use AI to create value? In sum, it is time to add a D to ESG for digital stewardship (ESGD) and into the corporate governance equation.

Conclusion

This chapter cannot be closed without noting that COVID-19 represents an inflection point in the role of corporations in society and its stakeholder expectations. Many companies have shifted their shareholder value focus to give high priority to the health and safety of their employees (Paine, 2020: 4) and customers. Thus, in the pandemic and postpandemic periods, recent calls for corporations to give a stronger voice to nonshareholder stakeholders will require that boards recalibrate their strategic oversight and decision-making processes. Future research should take an interdisciplinary approach and evaluate whether companies are "walking the talk," not only from a communications point of view but also in how they structure their stakeholders' incentives for value creation in the long term and guarantee sustained accountability, both moral as well as legal. In a nutshell, boards almost have no choice if they want to survive but to attend to an array of stakeholders in addition to shareholders.

It is also clear that the current grand societal systemic challenges—wealth inequality, climate change, environmental degradation, racial and ethnic discrimination, cyber fraud, food security, and so on—which are global and exacerbated by both the pandemic and the digital divide, are affecting how owners, boards, managers, employees, and related stakeholders resolve trade-offs in decision-making about firm market and nonmarket strategies. Future research should examine these decision-makers as interrelated actors and ask, What is the purpose of a given firm or set of firms? What incentives and punishments are in place to guide that purpose? Would diversity alone be the purpose of the corporation—aligned with a racially diverse board? How can we better measure governance processes and their outcomes? How can we account for the industry, sector, regional, national, transnational, or virtual environment in which these corporations operate? To explore these questions, it is often helpful to find intermediate organizational outcomes, such as R&D investment, training, and diversification, that in turn might lead to enhancing financial and nonfinancial firm performance. In all, the future is replete with research opportunities to continue to explore how, when, and why effective corporate governance practices and processes are key to healthy, long-term firm sustainability and value creation for shareholders and beyond.

References

Acosta P, Acquier A, Gond JP. 2019. Revisiting politics in political CSR: how coercive and deliberative dynamics operate through institutional work in a Colombian company. *Organization Studies*. https://doi.org/10.1177/0170840619867725.

Aguilera RV, Chhillar D. 2020. An eye for AI: insights into the governance of artificial intelligence and vision for future research. Working Paper, Northeastern University.

Aguilera RV, Crespí-Cladera R, Infantes PM, Pascual-Fuster B. In press. Business groups and internationalization: effective identification and future agenda. *Journal of World Business* **55**(4): https://doi.org/10.1016/j.jwb.2019.101050.

Aguilera, RV, Desender K, Bednar MK, Lee JH. 2015. Connecting the dots: bringing external corporate governance into the corporate governance puzzle. *Academy of Management Annals* **9**(1): 483–573.

Aguilera, RV, Grøgaard B. 2019. The dubious role of institutions in international business: a road forward. *Journal of International Business Studies* **50**(1): 20–35.

Aguilera RV, Jackson G. 2003. The cross-national diversity of corporate governance: dimensions and determinants. *Academy of Management Review* **28**(3): 447–465.

Aguilera RV, Jackson G. 2010. Comparative and international corporate governance. *Academy of Management Annals* **4**(1): 485–556.

Aguilera RV, Judge WQ, Terjesen SA. 2018. Corporate governance deviance. *Academy of Management Review* **43**(1): 87–109.

Aguilera RV, Marano V, Aragon-Correa A, Tashman P. In press. The corporate governance of environmental sustainability: a review and proposal for more integrated research. *Journal of Management*.

Aguilera RV, Marano V, Haxhi I. 2019. International corporate governance: a review and opportunities for future research. *Journal of International Business Studies* **50**(3): 457–498.
Ahn A, Wiersema M. In press. Activist hedge funds: beware the new titans. *Academy of Management Perspectives*. https://doi.org/10.5465/amp.2018.0059
Bebchuk L, Tallarita R. In press. The illusory promise of stakeholder governance. *Cornell Law Journal*.
Berle AA, Means GC. 1932. *The Modern Corporation and Private Property*. Transaction: New Brunswick, NJ.
Blair MM, Stout LA. 1999. A team production theory of corporate law. *Virginia Law Review* **85**(2): 247–328.
Boivie S, Bednar MK, Aguilera RV, Andrus JL. 2016. Are boards designed to fail? The implausibility of effective board monitoring. *Academy of Management Annals* **10**(1): 319–407.
Bolton P, Samama F. 2013. Loyalty-shares: rewarding long-term investors. *Journal of Applied Corporate Finance* **25**(3): 86–97.
Boyd BK, Gove S, Solarino AM. 2017. Methodological rigor of corporate governance studies: a review and recommendations for future studies. *Corporate Governance: An International Review* **25**(6): 384–396.
Brauer M, Wiersema M. 2018. Analyzing analyst research: a review of past coverage and recommendations for future research. *Journal of Management* **44**(1): 218–248.
Busenbark JR, Krause R, Boivie S, Graffin, SD. 2016. Toward a configurational perspective on the CEO: a review and synthesis of the management literature. *Journal of Management* **42**(1): 234–268.
Chittoor R, Aulakh PS, Ray S. 2019. Microfoundations of firm internationalization: the owner CEO effect. *Global Strategy Journal* **9**(1): 42–65.
Choudhury P, Starr E, Agarwal R. In press. Machine learning and human capital complementarities: experimental evidence on bias mitigation. *Strategic Management Journal*.
Colli A, Colpan AM. 2016. Business groups and corporate governance: review, synthesis, and extension. *Corporate Governance: An International Review* **24**(3): 274–302.
Connelly, B. 2021. Ownership and governance. In *Strategic Management: State of the Field and Its Future*, Duhaime IM, Hitt MA, Lyles MA (eds). Oxford University Press: New York, NY; 427–441.
Cuomo F, Mallin C, Zattoni A. 2016. Corporate governance codes: a review and research agenda. *Corporate Governance: An International Review* **24**(3): 222–241.
Daily CM, Schwenk C. 1996. Chief executive officers, top management teams, and boards of directors: congruent or countervailing forces? *Journal of Management* **22**(2): 185–208.
Desender KA, Aguilera RV, Lópezpuertas-Lamy M, Crespi R. 2016. A clash of governance logics: foreign ownership and board monitoring. *Strategic Management Journal* **37**(2): 349–369.
DesJardine MR, Durand R. 2020. Disentangling the effects of hedge fund activism on firm financial and social performance. *Strategic Management Journal* **41**(6): 1054–1082.
Fainshmidt S, Judge WQ, Aguilera RV, Smith A. 2018. Varieties of institutional systems: a contextual taxonomy of understudied countries. *Journal of World Business* **53**(3): 307–322.
Federo R, Ponomareva Y, Aguilera RV, Saz-Carranza A, Losada C. In press. Bringing owners back on board: a review of the role of ownership type in board governance. *Corporate Governance: An International Review*.
Filatotchev I, Aguilera RV, Wright M. 2020. From governance of innovation to innovations in governance. *Academy of Management Perspectives* **34**(2): 173–181.
Flammer C, Hong B, Minor D. 2019. Corporate governance and the rise of integrating corporate social responsibility criteria in executive compensation: effectiveness and implications for firm outcomes. *Strategic Management Journal* **40**(7): 1097–1122.
Flyverbom M, Deibert R, Matten D. 2019. The governance of digital technology, big data, and the internet: new roles and responsibilities for business. *Business and Society* **58**(1): 3–19.

Freeman RE, Harrison JS, Wicks AC, Parmar BL, De Colle S. 2010. *Stakeholder Theory: The State of the Art*. Cambridge University Press: Cambridge, U.K.

Gabaldon P, De Anca C, Mateos de Cabo R, Gimeno R. 2016. Searching for women on boards: an analysis from the supply and demand perspective. *Corporate Governance: An International Review* **24**(3): 371–385.

Gedajlovic E, Carney M, Chrisman JJ, Kellermanns FW. 2012. The adolescence of family firm research: taking stock and planning for the future. *Journal of Management* **38**(4): 1010–1037.

Gomez-Mejia LR, Cruz C, Berrone P, De Castro J. 2011. The bind that ties: socioemotional wealth preservation in family firms. *Academy of Management Annals* **5**(1): 653–707.

Gomulya D, Boeker W. 2016. Reassessing board member allegiance: CEO replacement following financial misconduct. *Strategic Management Journal* **37**(9): 1898–1918.

Gordon JN, Ringe WG (eds). 2018. *The Oxford Handbook of Corporate Law and Governance*. Oxford University Press: Oxford, U.K.

Grosman A, Wright M, Okhmatovskiy I. 2016. State control and corporate governance in transition economies: 25 years on from 1989. *Corporate Governance: An International Review* **24**(3): 200–221.

Guldiken O, Mallon MR, Fainshmidt S, Judge WQ, Clark CE. 2019. Beyond tokenism: how strategic leaders influence more meaningful gender diversity on boards of directors. *Strategic Management Journal* **40**(12): 2024–2046.

Hadani M, Doh, JP, Schneider MA. 2018. Corporate political activity and regulatory capture: how some companies blunt the knife of socially oriented investor activism. *Journal of Management* **44**(5): 2064–2093.

Hadani M, Schuler DA. 2013. In search of El Dorado: the elusive financial returns on corporate political investments. *Strategic Management Journal* **34**(2): 165–181.

Hall PA, Soskice D. 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford University Press: Oxford, U.K.

Harrison JS, Phillips RA, Freeman RE. 2020. On the 2019 Business Roundtable "Statement on the Purpose of a Corporation." *Journal of Management* **46**(7): 1223–1237.

Hermalin B, Weisbach M (eds). 2017. *The Handbook of the Economics of Corporate Governance*. Elsevier: Amsterdam, the Netherlands.

Hillman AJ, Keim, GD, Schuler D. 2004. Corporate political activity: a review and research agenda. *Journal of Management* **30**(6): 837–857.

Hosanagar K. 2020. *A Human's Guide to Machine Intelligence: How Algorithms are Shaping Our Lives and How We Can Stay in Control*. Penguin Books: New York, NY.

Iliev P, Lins KV, Miller DP, Roth L. 2015. Shareholder voting and corporate governance around the world. *Review of Financial Studies* **28**(8): 2167–2202.

Jain T, Jamali D. 2016. Looking inside the black box: the effect of corporate governance on corporate social responsibility. *Corporate Governance: An International Review* **24**(3): 253–273.

Jensen MC, Meckling WH. 1976. Theory of the firm: managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics* **3**(4): 305–360.

Johnson SG, Schnatterly K, Hill AD. 2013. Board composition beyond independence: social capital, human capital, and demographics. *Journal of Management* **39**(1): 232–262.

Kellogg KC, Valentine MA, Christin A. 2020. Algorithms at work: the new contested terrain of control. *Academy of Management Annals* **14**(1): 366–410.

Khan M, Serafeim G, Yoon A. 2016. Corporate sustainability: first evidence on materiality. *Accounting Review* **91**(6): 1697–1724.

Knippen JM, Shen W, Zhu Q. 2019. Limited progress? The effect of external pressure for board gender diversity on the increase of female directors. *Strategic Management Journal* **40**(7): 1123–1150.

Krause R. 2017. Being the CEO's boss: an examination of board chair orientations. *Strategic Management Journal* **38**(3): 697–713.

Krause R, Miller TL. 2021. From strategic leaders to societal leaders: on the expanding social role of executives and boards. *Journal of Management*. DOI: 0149206320950439.

Krause R, Semadeni M, Cannella AA Jr. 2014. CEO duality: a review and research agenda. *Journal of Management* **40**(1): 256–286.

Lambrecht A, Tucker C. 2019. Algorithmic bias? An empirical study of apparent gender-based discrimination in the display of STEM career ads. *Management Science* **65**(7): 2966–2981.

Lan LL, Heracleous L. 2010. Rethinking agency theory: the view from law. *Academy of Management Review* **35**(2): 294–314.

La Porta R, Lopez-de-Silanes F, Shleifer A. 1999. Corporate ownership around the world. *Journal of Finance* **54**(2): 471–517.

Larcker DF, Tayan B. 2020a. *Corporate Governance Matters: A Closer Look at Organizational Choices and Their Consequences*. Pearson Education: Old Tappan, NJ.

Larcker DF, Tayan B. 2020b. Loosey-goosey governance: 4 misunderstood terms. *Corporate Board* **41**(241): 5–11.

Lipton M, Rosenblum SA. 1991. A new system of corporate governance: the quinquennial election of directors. *University of Chicago Law Review* **58**(1): 187–253.

Lungeanu R, Paruchuri S, Tsai W. 2018. Stepping across for social approval: ties to independent foundations' boards after financial restatement. *Strategic Management Journal* **39**(4): 1163–1187.

Ma S, Kor YY, Seidl D. 2020. CEO advice seeking: an integrative framework and future research agenda. *Journal of Management* **46**(6): 771–805.

Mallin C. 2019. *Corporate Governance*. Oxford University Press: Oxford, U.K.

Marquis C, Qian C. 2014. Corporate social responsibility reporting in China: symbol or substance? *Organization Science* **25**(1): 127–148.

Mayer C. 2018. *Prosperity: Better Business Makes the Greater Good*. Oxford University Press: Oxford, U.K.

McDonnell MH, King B. 2013. Keeping up appearances: reputational threat and impression management after social movement boycotts. *Administrative Science Quarterly* **58**(3): 387–419.

McKinsey. 2018. A time for boards to act. https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/a-time-for-boards-to-act [1 December 2020].

McNulty T, Zattoni A, Douglas T. 2013. Developing corporate governance research through qualitative methods: a review of previous studies. *Corporate Governance: An International Review* **21**(2): 183–198.

Neville F, Byron K, Post C, Ward A. 2019. Board independence and corporate misconduct: a cross-national meta-analysis. *Journal of Management* **45**(6): 2538–2569.

Organisation for Economic Co-operation and Development. 2019. *OECD Corporate Governance Factbook*. OECD: Paris, France.

Paine LS. 2020. COVID-19 is rewriting the rules of corporate governance. *Harvard Business Review*, October 6, 2020. https://hbr.org/2020/10/covid-19-is-rewriting-the-rules-of-corporate-governance.

Park UD, Boeker W, Gomulya D. 2020. Political ideology of the board and CEO dismissal following financial misconduct. *Strategic Management Journal* **41**(1): 108–123.

PcW. 2020. PcW Annual Corporate Director Survey. https://www.pwc.com/us/en/services/governance-insights-center/library/annual-corporate-directors-survey.html [1 December 2020].

Perrault R, Shoham Y, Brynjolfsson E, Clark J, Etchemendy J, Grosz B, Lyons T, Manyika J, Mishra S, Niebles JC. 2019. *The AI Index 2019 Annual Report*. Stanford University: AI Index Steering Committee, Human-Centered AI Institute: Stanford, CA.

Scherer AG, Voegtlin C. 2020. Corporate governance for responsible innovation: approaches to corporate governance and their implications for sustainable development. *Academy of Management Perspectives* **34**(2): 182–208.

Schiehll E, Martins HC. 2016. Cross-national governance research: a systematic review and assessment. *Corporate Governance: An International Review* **24**(3): 181–199.

Schnatterly K, Gangloff, KA, Tuschke A. 2018. CEO wrongdoing: a review of pressure, opportunity, and rationalization. *Journal of Management* **44**(6): 2405–2432.

Shi W, Gao C, Aguilera R. In press. The liabilities of foreign institutional ownership: managing political dependence through corporate political spending. *Strategic Management Journal.*

Shrestha YR, Ben-Menahem SM, Von Krogh G. 2019. Organizational decision-making structures in the age of artificial intelligence. *California Management Review* **61**(4): 66–83.

Simon HA. 1991. Bounded rationality and organizational learning. *Organization Science* **2**(1): 125–134.

Surroca JA, Aguilera RV, Desender K, Tribó JA. 2020. Is managerial entrenchment always bad and corporate social responsibility always good? A cross-national examination of their combined influence on shareholder value. *Strategic Management Journal* **41**(5): 891–920.

Tihanyi L, Aguilera RV, Heugens P, van Essen M, Sauerwald S, Duran P, Turturea R. 2019. State ownership and political connections. *Journal of Management* **45**(6): 2293–2321.

Tricker B. 2019. *Corporate Governance: Principles, Policies, and Practices*. Oxford University Press: Oxford, U.K.

Uhde, DA, Klarner P, Tuschke A. 2017. Board monitoring of the chief financial officer: a review and research agenda. *Corporate Governance: An International Review* **25**(2): 116–133.

Van Ees H, Gabrielsson J, Huse M. 2009. Toward a behavioral theory of boards and corporate governance. *Corporate Governance: An International Review* **17**(3): 307–319.

Walsh JP, Seward JK. 1990. On the efficiency of internal and external corporate control mechanisms. *Academy of Management Review* **15**(3): 421–458.

Westphal JD, Garg S. 2021. Boards of directors and strategic management in public firms and new ventures. In *Strategic Management: State of the Field and Its Future*, Duhaime IM, Hitt MA, Lyles MA (eds). Oxford University Press: New York, NY; 411–426.

Westphal J, Park SH. 2020. *Symbolic Management: Governance, Strategy, and Institutions*. Oxford University Press: Oxford, U.K.

Williamson OE. 1996. *The Mechanisms of Governance*. Oxford University Press: Oxford, U.K.

World Economic Forum. Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution. World Economic Forum: Davos, Switzerland.

Wright SA, Schultz AE. 2018. The rising tide of artificial intelligence and business automation: developing an ethical framework. *Business Horizons* **61**(6): 823–832.

Yan S, Ferraro F, Almandoz J. 2019. The rise of socially responsible investment funds: the paradoxical role of financial logic. *Administrative Science Quarterly* **64**(2): 466–501.

Zaman R, Jain T, Samara G, Jamali D. In press. Corporate social responsibility meets corporate governance: mapping the interface. *Business and Society*.

Zattoni A. 2020. *Corporate Governance. How to Design Good Companies*. Egea, S.p.A.: Milan, Italy.

Zorn ML, Shropshire C, Martin JA, Combs JG, Ketchen DJ Jr. 2017. Home alone: the effects of lone-insider boards on CEO pay, financial misconduct, and firm performance. *Strategic Management Journal* **38**(13): 2623–2646.

Zuboff S. 2019. *The Age of Surveillance Capitalism: The Fight for a Human Future at the New Frontier of Power*. PublicAffairs: New York, NY.