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How Far That Little Candle Throws His Beams! An Interview With Mats Isaksson

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Abstract

This article adopts a policy-maker perspective on corporate governance, while exploring the role of academia in influencing corporate governance principles, the reasons for the boilerplate approach to governance rules typically adopted by most companies, and the reasons for a possible disconnect between research and corporate governance policies. The article ends with some key lessons about corporate governance and the future research agenda.

Keywords

Corporate governance, corporate culture, business and government/political economy, policy-makers, board of directors, agency theory

Introduction

“How far that little candle throws his beams! So shines a good deed in a weary world.” This is a quote from the Merchant of Venice (Shakespeare, 1596-1599). Within our context, the candle (or good deed) is effective corporate governance, for instance, the recommendations and guidelines provided by academics and policy-makers (such as the Organisation for Economic Co-Operation and Development, or OECD). Both academics and policy-makers “do good deeds” by providing recommendations and guidance on corporate governance for businesses (Bottenberg, Tuschke, & Flickinger, 2016). However, academics and policy-makers can at times appear to be from two different worlds that do not speak the same language. On one hand, many policy-makers do not seem to be fully aware of relevant academic research. On the other hand, academics could gain a better understanding of the policy-makers’ agenda by assisting them with research (Zattoni, Douglas, & Judge, 2013).

Generally, academic research on corporate governance principles adopts a company perspective, by, for example, analyzing the firm’s structure (Hoskisson, Hitt, Johnson, & Grossman, 2002), its performance (Zalewska, 2016), directors’ remuneration (Urzua Infante, 2009), and compliance with corporate governance codes (Aguilera & Cuervo-Cazurra, 2009). Despite corporate governance principles and guidelines being promoted by policy-makers, few studies (Cuomo, Mallin, & Zattoni, 2016) adopt a policy-maker perspective with a view to reconciling the academic and business worlds with the policy-makers’ world. In fact, the state of knowledge on corporate governance principles research seems to be suffering from a “deadlock” situation, as there is conflicting evidence on the effectiveness of national and

supranational corporate governance codes/principles (Aguilera & Cuervo-Cazurra, 2009; Aguilera, Florackis & Kim, 2016). Therefore, it becomes fundamental to understand the voice and viewpoint of the policy-maker, namely, the OECD, to understand the reasons for the disconnect between research and practice, and the continuous waves of corporate scandals despite new and improved governance principles.

Furthermore, academic research (Cuomo et al., 2016; Haxhi & Aguilera, 2014) finds that companies tend to adopt a boilerplate approach to corporate governance, rather than following the spirit and the substance of the codes. Therefore, it is important to understand why companies do not apply the spirit of the codes and how to prevent corporations from pursuing a box ticking exercise (i.e., a boilerplate approach).

We interviewed Mats Isaksson who is the head of the Corporate Affairs Division at the OECD. He is responsible for all issues relating to corporate governance, state-owned enterprises, equity markets, company law, privatization, dispute resolution, and other policy areas of importance to a sound and dynamic business environment. He has an academic affiliation with Columbia University and is also a senior visiting fellow at the Stockholm Centre for Commercial Law. He is a founding director of the Swedish Corporate Governance Forum and a member of the European Corporate Governance Institute.

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The Interview

Policy-Makers and Academia

There's a quote from Shakespeare from the Merchant of Venice that says "How far that little candle throws his beams. So, shines a good deed in a weary world." Why do policy-makers in the corporate governance arena, like , for example, the OECD, make so little use of academic research? It seems that the academic world and the policy-maker world do not speak the same language even though they both deal with corporate governance.

I think your comment is very thoughtful. You are insinuating that the academic and policy-maker worlds never meet each other. However, I think there are three dimensions we need to consider: The first one is policy-makers and businesses, the second one is policy-makers and academia, and the third is between policy-makers and politicians.

As regards the first dimension, which is policy-makers and business, corporate governance assumes different meanings for policy-makers and businesses, which are, for me, totally legitimate. When business people deal with corporate governance, they typically refer to mechanisms and procedures that take place within their organizations, for example, improving dynamics in the boardroom, boosting bottom lines, controlling executives, and communicating with shareholders and sometimes with stakeholders. These are issues that involve economic interests, and a constant interplay between the board and management, and between the board and shareholders. That's their universe, that's their world, and it's a perfectly legitimate definition of corporate governance, from their view. However, this perspective does not represent the issues policy-makers deal with. We as policy-makers cannot know what a perfect board of directors looks like. We cannot know what the best and perfect strategies are for an organization's future. We as policy-makers are concerned to provide a general regulatory framework in order to stimulate investments, to support sustainable economic growth, to ensure financial stability, and to promote benefits for all stakeholders or society. So, these are our policy objectives.

The second dimension is policy-makers and academia. I am completely fascinated and interested in the academic perspective. I wouldn't underestimate the influence of academia on the corporate governance public policy debate. It seems that the corporate governance debate started with three academics, Berle and Means in 1932 and Manne in 1965, who issued their famous manuscripts about the market for corporate control, which had a tremendous influence on trust legislation in the United States. Another pioneering study is Michael Jensen's *The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems* in 1993, which had a huge impact on issues like takeovers and equal treatment of shareholders and the role of the board in M&As (mergers and acquisitions). Additionally, there is a paper

published in 2013 by Ronald Gilson and Jeffrey Gordon on the agency issue and the U.S. legislation, which is totally applicable to the current corporate governance issues. Indeed, I'm totally sure that research has and will have an influence on jurisprudence in the US in the future. There are many other examples of the influence of academia on policy-makers' recommendations. Generally, policy-makers get inspiration from research and universities and we really take into consideration the latest studies.

The third dimension concerns policy-makers and politicians. Policy-makers are different from politicians. Policy-makers need a broad range of stakeholders like businesses, academia, international institutions, and advisors to deliver general corporate governance principles that look at the future, whereas politicians dealing with corporate governance may be more focused on rules that have short-run effects on corporate governance for two main reasons. First, they are more concerned to provide immediate impacts of their corporate rules in order to positively influence the electorate or citizens. Second, politicians tend to react quickly to corporate governance scandals by providing new and stricter rules. For instance, after the Enron collapse, the US delivered the Sarbanes–Oxley Act; after the British home stores (BHS) scandal in the UK, the Prime Minister announced that new corporate governance rules are due. Politicians, however, need advisors like us in order to land on straight decisions. There may be some initial, unfounded reactions from them, but when we draw closer to rule making, they usually listen to us and take into account our policy advice that naturally brings with it academic experience. So, it seems that academia is able to partially influence policy-makers that in turn are able to affect politicians' decisions.

Is it true that there is divergence between the policy-makers and the academic world, for example, in terms of codes of principles or recommendations?

Yes, it might be. Corporate governance convergence refers to a gradual alignment towards common policies, practices, and recommendations among policy-makers, academics, etc., whereas divergence is the opposite movement towards differing and conflicting views of corporate governance. It appears clear to me that there is divergence even among academics and divergence also occurs among policy-makers as well. But I would say that the OECD is a special institution that heeds academic studies, recommendations, and findings stemming from other policy-makers. The OECD in corporate governance endeavors to coordinate and harmonize different practices across the world or in the OECD country members. It leads to a complex task in converging country practices and academic studies together, given their innate misalignment.

Berle and Means's study on agency theory has had a huge impact on codes in many countries. To what extent has the most recent research had an impact on codes and principles of corporate governance? The last section of every

scientific paper typically contains recommendations for policy-makers and/or businesses. Do you, as a policy-maker, effectively take into consideration these recommendations and, if so, how are they taken into account?

Yes, we as a policy-maker read the last paragraphs of several manuscripts that identify recommendations for us and businesses. In order to prepare corporate governance principles and to have a broader view of this phenomenon, I talk to business, I talk to trade unions, I talk to politicians, I talk to investors, I talk to asset managers, I talk to academics, and I think that everything that lands on my desk has its own merits, but always we keep the public policy perspective in mind, as a priority. Some ideas mentioned in academic manuscripts are sometimes illuminating and useful to shape our recommendations. For example, when we drew the last version of the Corporate Governance Principles, we mainly looked at Anglo-Saxon literature given its generalizability capacity in terms of shareholders, boardroom, and executive characteristics. Additionally, we also considered other Western countries' literature to integrate the Anglo-Saxon perspective with a more comprehensive approach that heeds institutions, stakeholders, and the environment. An argument that I could read in an academic paper or I get from some reports on how to manage corporate governance issues in the boardroom can be extremely convincing. Even though this idea is tremendously convincing, we as a policy-maker need to evaluate whether it is systemically significant for society. When we draw corporate governance principles, we usually ask ourselves, is this something that we really want to make mandatory or advisable for all corporations? Does it have that magnitude? Does it have a systemic component? [. . .]

One recent example is the issue of the stewardship code, which is really *à la mode*. When we reviewed the G20 principles, this obviously came on the table but when we actually produced a paper where we, by setting up a taxonomy of some investors and their propensity to engage in buying corporate shares, and we presented it to the group and we said this is our conclusion. We don't really believe that a stewardship code will be effective and that it has a systematic component or significance. This does not mean that it is the end of the discussion but it has actually contributed to people thinking, discussing, and sharing their opinions.

How can research be a tool for policy-makers?

I think that based on my experience with academia, which is very positive and stimulating, policy-makers need to respect academia. However, certain academic works are conducted for mere academic purposes. Academic research sometimes doesn't apply to policy-makers or not even to businesses. It's like replicating somebody else's study in order to test the validity of a given model or theory, for instance. Or, sometimes, manuscripts are methodological

studies. This is a sort of internal debate where policy-makers and businesses are not involved. I respect this tremendously. In terms of contributions to policy-makers, I believe the first step for academia is always to be hard wired to reality by conducting empirical works. Many academic studies in corporate governance have just assumed that the world described by Berle and Means is the actual business reality whereas the de facto the world they projected has not materialized. It didn't materialize in Italy, in Germany, and certainly not in the emerging markets. In the US, we have almost the ownership reconcentration issue as in the UK. Berle and Means do not deal with financial intermediation, which actually is one of the basic features of corporate governance. I believe that research can do a better job by looking out for the actual reality and analyzing what the corporate world really looks like and what the consequences are.

What do you think should be the avenues for future research on corporate governance?

First of all, I have faith in academia and I am sure it will surprise me and I want academia to surprise me. I don't want to point hem in any specific direction; however, what it is useful for us at the moment is to identify changes in organizations, in business models, and in capital markets, and then to try to tease out what the implications of these changes are for corporate governance. For instance, it would be interesting to examine what the complex and longer financial chain is and how efficient this chain is from household savings to the corporation.

Now there are institutional investors which are increasingly becoming fewer and fewer, bigger and bigger; there are also proxy consultants and other financial intermediaries. There are billions of different service providers with conflicts of interests, so it is not only a matter of conflict between shareholders and management as Berle and Means state. [. . .].

Another strand is related to corporate assets. In the old days, assets tended to be confined within corporates' fences, consequently, it was easy to govern and manage them. Today, most of the assets are in networks or in people's brains or in their individual cognitive structure; it's a different game than in the past and that's another issue that I think is utterly important.

As regards another area where academia can contribute in the future to corporate governance from a policy perspective, I believe that it will be increasingly important to look at the functioning of modern capital markets, the length and the complexity of the investment chain. We don't have shareholders like we used to have. We have the business models of stock exchanges, for example, and we have the whole issue of the ownership structures in listed companies today and if we look around the world like we have to do as a global organization, we see that concentrated ownership is usually the rule rather than the exception. This research area I think for the future of corporate governance research would be vital.

Corporate Governance Principles and Corporate Scandals

Some corporate scandals have recently been unearthed, for instance in Brazil Petrobras, in the UK, BHS and Sports Direct, and VW in Germany. So, it seems that codes or recommendations are not able to prevent scandals but just provide additional paperwork for companies. Why do we still experience these waves of scandals given these codes that companies need to apply?

It works exactly like this in any area of society. For instance, when a legislator implements a law against environmental crimes, it does not mean that these types of crimes will not be committed any longer. In corporate governance, it works similarly. I believe that since the early 1990s, tremendous improvements have occurred, especially in terms of shareholder protection, insider trading, and executives' benefits. For instance, in the seventies and eighties, no legislation was settled on banks' funding. Furthermore, some big family businesses diverted their financial resources for the family's own interests, for instance, to buy a personal jet, to pay extremely luxurious holidays with the company's money, etc. At that time, it was not even an issue. Now, at least, it is a crime! Thus, we cannot underestimate the progress we have made on corporate governance during the last decades. A lot of corporate governance issues have been improved but others may not have been resolved like the executives' remuneration.

Some of the scandals that we experience today could be the consequence of better corporate governance regulation, because there is more scope for whistle-blowing, more scope for transparency, and more access to information. In other words, some scandals may actually be a sign of a better corporate culture, meaning that these kinds of governance issues or misbehaviors are not acceptable any longer. In the olden days, the same governance issues, which now are conceived as being a scandal, were perceived as socially acceptable. There were cases of collusion between governments and companies to resolve an organization's misconduct under the table. An historian will probably tell us more comprehensively about those relationships.

Today, we still experience shortcomings; however, there are ongoing criminal investigations on these cases you mentioned before, BHS, Sports Direct, VW; so, I would put them in a separate category. The more interesting question is probably why corporations fail to put in place governance structures that would objectively be good for them. Why do they have suboptimal governance structures? I think these are intriguing questions.

What do you think the answers could be?

Perhaps, there is not enough awareness of benefits of corporate governance recommendations. They are not laws or "totem pole," so we sometimes experience suboptimal governance structures because corporate decision-makers, like directors and executives, may rather subvert these noncompulsory principles to pursue other interests.

Indeed, we also need to remember that the directors and executives' job market is extremely competitive and focuses on money making. Directors' priority is to maximize companies' income at every quarter and their assessment and remuneration are actually based on such a short-term view of their results. Many corporate decision-makers are mainly driven by money. I personally know some of them and it's hard to have a discussion other than money, which is totally fine.

This means that corporations fail to put in place optimal governance systems, because directors and executives are substantially focused on the short-term view without capturing in time the environmental signs. Companies' decision-makers may also be characterized by hubris, I mean a far too high level of confidence that prevents them from actually listening to and analyzing contrasting opinions arising from inside and outside a company. It seems that those corporate decision-makers characterized by short termism and hubris are more inclined to fall into the old way of thinking, without innovating their corporate strategies and without heeding the signs, opinions, and voices raised from outside. Sometimes, I feel directors misperceive the reality.

Codes are on a "comply or explain" basis. Scholars cast doubt on the effectiveness of this approach, because most of companies comply in form rather than in substance. How will it be possible to prevent companies from complying just in form? How influential are corporate governance codes on practice?

To prevent a "ticking-the-box" behavior, there are some remedies to put forward.

As regards the first remedy, it may be controversial but some vital corporate governance issues need to be regulated in legislation or laws that lead to supervision and rules' enforcement to effectively implement principles.

The second remedy is probably to make sure that the codes we put in place are truly relevant to companies. Codes of corporate governance may have very unclear concepts and codes that themselves can be nebulous as well, because they exist in many different forms. For example, the one in Germany is very different from the one in Japan; and the United States doesn't even have a code but they don't seem to be doing much worse. I believe that these codes need to be seen as meaningful and well-reasoned for companies and their decision-makers. The challenge here is to make principles perceived as meaningful, vital, and essential by directors. Who should do that? I think it is a combination of responsibilities: policy-makers, legislators, and stakeholders, like media, should proactively persuade corporate decision-makers of the principles' importance.

The third remedy is related to the negotiation process. I believe that some of the codes that I've seen being developed do not have a solid negotiation process with the stakeholders; it seems they are based on previous experience where the needs of stakeholders are merely assumed. This is not the case for the OECD principles which are shaped by the

negotiation process between different parties. [. . .]. From our perspective, there are winners and losers; it is a sort of give and take process. In other words, in shaping principles, we know that some of the parties in the market will suffer from this, but at the end these recommendations reflect the relative strengths of different parties at a given time, in a given situation, on a specific subject. It could be both a strength and a weakness with these codes. It becomes vital to map and understand perspectives and opinions of the other parties in order to get shared and well-developed corporate governance principles.

During this long negotiation or legislation process, what are the roles of academia and research?

There are two things you don't want to know how they are made: sausages and legislation. Bismarck, the German Chancellor, said this. I have to say that discussion on corporate governance principles and the negotiation process are rather vibrant.

The academia and research role is very prominent. For instance, after the burst of the financial crisis in 2008, we had constant meetings with a committee composed of academics and researchers in order to deeply investigate the causes of the crisis and the consequences for corporate governance. Even now, we regularly meet this committee, and amongst the others, we have different prominent researchers from different universities across the world.

Well, these are academics that I have known for a long time, so now I should meet and engage with the next generation. I try to keep my eyes open for the new talents and whoever is doing interesting work; that's why I also spend some time with academics, like at Columbia; I was at Stanford as a fellow.

How is it possible to achieve successful corporate governance in a company? What are the secrets?

One of the most important issues is to understand what a company wants to get out of it, what the end result a company is aiming at, considering the corporate governance principles. So, I think it is essential that corporate decision-makers need to firstly make an economic, legal, and cultural analysis of the internal and external environment. Secondly, they need to define smart objectives and outcomes and then keep monitoring them throughout their analyses and their discussion groups. If a company is not able to set, monitor, and communicate its goals, it will never accomplish successful corporate governance. The company's objectives should not be based only on reaching the breakeven point and a certain level of revenues, but in order to reach successful corporate governance, the objectives need to deal with the board's behaviour, the relationship with the executives, satisfying stakeholders' and shareholders' needs, protecting minorities, and keeping institutions satisfied, and foreseeing the environment's needs. This means that maximizing profit cannot be the only or the primary goal for a company. The money is the final result, and then, a company needs to carefully evaluate which decisions are needed to make money.

[. . . It] is fundamental to strike a balance between the external financiers' expectations and the internal needs of a company; this implies a rethinking or a new design of corporate governance structure.

Given the fact that policy-makers or legislators tend to be under pressure to react quite quickly to corporate governance scandals or national, or international events—for example, Brexit—what do you think the likely consequences would be, corporate governance wise, of Brexit?

I haven't started to give that any thought. There is this reference to knee jerk reactions, especially in the case of sudden political or financial crises. I understand this approach but I do not fully sympathize with it. As I was here at the time of the Enron scandal, Asian crisis and global financial crisis, I know pretty much how it works. When the financial crisis happened in 2008, there were many "voices" suggesting we should revise the corporate governance principles rather quickly. My position was slightly different. I agreed we needed to quickly analyze the financial sector, but an immediate revision of the principles would have been dangerous, simply because at the time, we could not know the consequences and the implications of the financial crisis on corporate governance.

I argued my case well because I gained acceptance for that. Indeed, instead of automatically modifying the principles, I suggested to focus on a proper and deep analysis of the market and of the corporate environment before issuing any other governance recommendations. So, we spent around 4 years on analytical work, embracing a lot of academic studies actually to provide a background dossier and an analytical report on the state of the art.

Do you think there will be any consequences?

If you look at the EU directives linked to corporate governance, for example, that one on takeovers, they are inspired by the U.K. culture, experience, and knowledge. If or, when the UK leaves the EU, we will need to start analyzing how Brexit will affect these directives and how the dynamics of future negotiation will change. These directives of course are implemented in national law, so even though the European setting will change because of Brexit, it does not necessarily mean that the corporate governance principles will be modified. But we don't know yet; it's too early. It is like when the financial crisis spread in 2008; at that time, we could not immediately change the principles and surely, we cannot amend them now. However, what we could do is to start a deep analysis of the environment to evaluate the effects of Brexit on corporate governance. This process has not started yet.

The New OECD Principles

The 2015 G20/OECD Principles of Corporate Governance are also likely to give further impetus to the debate on corporate governance practice around the world. They focus mainly on shareholders, the board of directors, and

stakeholders. So, it seems that once again agency theory is still the dominant approach and able to better provide an effective corporate governance framework. So, what about institutions and external resources? There is a theory called institutional theory that basically argues that companies are influenced and shaped by legal, cultural, and governmental institutions. On top of that, there is another corporate governance theory, according to which companies need also outside resources to function. Where do the new OECD principles stand in respect of these two approaches?

The G20/OECD principles are unique in the sense that the very first chapter deals with the institutional framework. It emphasizes the preeminent role of institutions in shaping sound and fair corporate governance by taking into consideration the national legal, cultural, economic, and social settings. This is a unique feature. Another section of the principles, which is also unique, is related to the functioning of capital markets, institutional investors, stock exchanges, and other intermediaries. The transparency chapter is also fairly big so capital markets already own half of the principles. The section related to shareholders, stakeholders, and the board is common to other corporate governance codes; so, special innovation has been brought to this section. Some sections are not original, whereas others are rather unique.

As regards the concepts related to the institutional and resource dependence theories, despite agency theory and the Berle and Means study having deeply influenced corporate governance practices, we are experiencing a new wave of concepts and governance issues, which are related to the importance of institutions and resources. The business world is rather different from what it was 20 or 25 years ago. A fundamental institution that can shape corporate governance is the financial market; for this reason, we needed to carefully provide some recommendations on the relationship between a corporate and the external market. Indeed, stock exchanges have changed corporates' views. The role of the stock exchange, as an external institution, in today's corporate environment is fundamental because it is not only able to provide external resources but also to influence the corporate environment. Furthermore, stock exchanges also shape their forms as a result of environmental changes. Investment funds and asset managers are deeply influenced by the environment; indeed, their governance structure has been evolving to adapt to the continuous changes. On the other hand, investment funds and assets managers are able to have an immediate impact on the corporate environment by, for example, providing strict requirements for investments.

What are the disadvantages of supranational corporate governance codes or principles?

When it comes to the G20/OECD principles, which is probably the only supranational code, I think the risks relate to the principles themselves. The very first chapter explicitly states that the principles need to be implemented in law and

regulations in the OECD countries by taking into consideration economics, the cultural and legal context, for instance, by considering countries with civil or common law. This requires a lot of hard work on behalf of national authorities to implement them. The risk might be that countries or authorities are lazy and just copy-and-paste our code without adapting it to their own economic and social conditions. But we don't believe they are lazy. We believe that they are serious. This is generally a risk with everything sort of trickling down to reduce itself to box ticking, but the G20/OECD principles are very clear on the risks of box ticking.

What are the main advantages of supranational corporate governance codes or principles?

One of the advantages of this whole process with the G20 and OECD about the new corporate governance principles is that there is a genuine exchange of experiences and good practices amongst legislators and regulators. Second, we have developed a common language and a common understanding of some fundamental concepts, for example, related party transactions, board composition, and role. This is tremendously important in order to achieve long-term corporate governance success, especially in this globalized context. For instance, an increasing number of companies deal with foreign owners, investors from abroad, or an international environment. This is the case of companies with foreign blockholders, or companies listed in another foreign country; a Chinese corporate listed on the New York Stock Exchange, or a foreign external funder, for instance, a Chinese lender investing in an American company. So, reaching a common understanding, a mutual language, and shared values of corporate governance are beneficial for effective governance. On the other hand, some stakeholders are concerned as these principles deal with listed companies only, leaving neglected the other form of corporates.

Conclusion

In this article, we explore the role of the academia in influencing policy-makers' decisions, the reasons why corporate scandals still happen, some remedies for the "comply and explain" approach, and the advantages and disadvantages of the OECD principles. Corporate governance codes are important pillars in corporate governance, as they provide guidance in terms of good corporate practices and promote corporate governance principles to standardize companies' processes and mechanisms.

Based on the insightful interview with Mats Isaksson, the following key lessons emerge.

1. An organization is more than just a nexus of contracts between principals and agents (Jensen & Meckling, 1976). A firm is a combination or a nexus of stakeholders (Wieland, 2011) and a nexus of relationships (Fichman & Levinthal, 1991) that are able to, directly

- and indirectly influence the firm's value (Galunic & Rodan, 1998) and behavior (Gabrielsson & Huse, 2004). Economic actors—such as the directors, senior managers, and stakeholders—represent one of the company's main assets who are able to affect its value with people knowledge (Grant, 1996), networks (Goergen, 2012), capabilities (Teece, Pisano, & Shuen, 1997; Wang & Ahmed, 2007), cognitive structure (Finkelstein, Hambrick, & Cannella, 2009), and behaviors (Huse, 2005).
2. Possible *remedies for a “box ticking” approach* can be divided into two main categories: ex ante and ex post the implementation of corporate governance principles. Ex ante remedies are related to the negotiation process, that is, all companies should be involved in this process, providing them with the opportunity to discuss the actual corporate governance issues and to focus on the main governance standards. Ex post remedies are related to the development and promotion of a corporate governance and compliance culture among corporate decision-makers, which is still lacking in some industries (Merendino, Timms, & Bek, 2016). The ex ante and ex post remedies are able to create a feedback loop, whereby the active engagement of the companies in the discussion of corporate governance issues will lead to a more substantial acceptance of the codes. This governance culture, in turn, may affect businesses' participation in the following round of discussions and consultations on corporate governance issues.
 3. As regards the prevention of *corporate scandals*, profound improvements have occurred within the last two decades. However, there is still a lack of awareness of the benefits of corporate governance recommendations among decision-makers. However, the likelihood of scandals and corporate misconducts inevitably increases due to the hubris and short termism of directors, even though they may be aware of corporate governance codes. Indeed, hubris (Hayward & Hambrick, 1997) may lead to negative consequences for corporate governance, leadership, and firm performance (Park, Westphal, & Stern, 2011). Therefore, corporate governance principles should incentivize a more long-term view of the corporation and promote all those mechanisms that may minimize the hubristic behavior of directors. For example, codes can put forward mechanisms to hold the boardroom accountable for fulfilling long-term objectives, to strengthen the role of independent directors in listed and nonlisted companies and to improve leadership principles.
 4. As regards *Brexit*, even though there is the urge by academics and practitioners to understand the impacts of Brexit on governance (Valsan, 2016; Wood & Budhwar, 2016), policy-makers are still unsure about its consequences, as Brexit is still in the early stages. This is similar to the situation that occurred during the aftermath of the 2008 financial crisis, when research (Lim, 2008) attempted to predict the effects of the crisis on corporate governance. It may be too early at this time to speculate about Brexit and its consequences on corporate governance. However, we argue that one of the effects associated with Brexit is that the European Union might be less influenced by the U.K. approach to corporate governance. The reason for this is that the European Union might try to make companies more aligned to similar corporate governance rules across the remaining 27 member states, which are all civil law countries in contrast to the United Kingdom, which is a common law country. Therefore, in the future, the United Kingdom, as an external single country, might have less power to influence corporate governance practices across the whole European Union.
 5. *Corporate governance harmonization or convergence* may be a chimera even within the same institutional setting (such as a country) as the perceptions of corporate governance priorities diverge depending on the actors, for example, policy-makers, academia, businesses, and politicians. This adds an interesting perspective to the claim that the cultural and institutional settings are all that drive corporate governance differences across countries and continents (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998). In other words, within a country or similar institutional settings, we could still experience different views on corporate governance by politicians, other policy-makers, businesses, and academia. This within-country divergence may add to the organization's complexity (Schildt & Perkmann, 2017), whereby the organization is continuously influenced by various stakeholder groups, and institutional logics and environment (Greenwood, Kodeih, Micelotta, Raynard, & Lounsbury, 2011) such as shareholder versus stakeholder orientation (Meyer & Hammerschmid, 2006). This means that codes of corporate governance do not necessarily represent the best way to promote good practices, because they do not always take into consideration the institutional environment that a given country may have. Codes perhaps should contain minimum requirements that ensure the best practice of corporate governance. This paves the way for future research that should aim to identify minimum as well as more effective principles that should be included in the corporate governance codes.

6. *Future research* may focus on an organization as a nexus of people or human assets, and could analyze the functioning, the length, the complexity, and the impact of the investment chain on corporate governance. In addition, future studies could suggest techniques and methods to foster an effective and efficient corporate governance culture among employers and decision-makers to go beyond the mere formal acceptance of principles.

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