

# Corporate Governance Insights

IESE Center for Corporate Governance (IESE CCG)

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## Corporate Governance for Long-Term Growth

by Professor Jordi Canals

In today's age of technology disruption, increased political and social uncertainty, and changing regulatory paradigms, the role of corporate governance and the leadership of boards of directors have become more important than ever.

The recently launched [IESE Center for Corporate Governance](#) aims to help board chairs, CEOs and board members better understand how to

navigate the changing landscapes of their companies. Our Center will also strive to help them renew their commitment to developing their companies for long-term success. We plan to do so by generating new ideas on corporate governance and, in particular, on the changing role of boards of directors.

Research on corporate governance has grown exponentially over the past years. Nevertheless, some of the academic conclusions are still weak and cannot be easily generalized. Moreover, some research hypotheses seem interesting from a theoretical viewpoint, but are a bit distant from the concerns of boards of directors. Our Center looks to bridge this distance between academia and the real-life concerns of boards of directors. We plan to build upon the rich foundation of governance programs that IESE Business School already offers.

In our approach to corporate governance, we use some assumptions. The first is that a company is a complex and agile institution, with its own legal personality, whose founders usually have some aspiration for its long-term development. Shareholders own the shares of the firm and have certain rights –the right to a fair return on their investment, for instance- but they do not own the firm. Firms also employ people who make some specific contributions, key for the firm’s success. Financial institutions and markets also deal with the company under the expectation of its long-term development in an atmosphere of trust. To some extent, customers and suppliers also trust the firm and engage with it. In a nutshell, different parties who commit their resources to the firm end up trusting the firm and expecting its long-term success.

The second is that good governance should help firms develop and to be successful in the long-term for all the different parties that have contributed to the firm. A successful company should serve its clients well and generate fair and sustainable economic value in the process. To achieve this goal, the firm needs talented and committed people, ideas, financial

resources and the trust of the whole community. A successful firm should compensate all the parties according to the extent of their contributions.

The third is that the board of directors has a key leadership role in the company and is not an agent of shareholders. The board is the central institution in corporate governance which helps develop the firm over the long-term and makes sure that the management team does a good job, not only through a rigorous monitoring process, but also through positive engagement with the top management on strategic issues. A specific task of the board is to develop the CEO and the top management team, while having a clear succession plan in place for them.

Through this newsletter, the Center also aims to help bring to IESE alumni and friends recent research and news of interest on the challenging world of corporate governance. A few years ago, good governance seemed like a luxury good; today good governance is a must-have for all firms, from start-ups to the largest firms. Good governance has become an indispensable element for successful companies that helps create companies with a lasting, positive impact on society.

We hope you enjoy reading this newsletter and will be grateful for your feedback! Please, contact us at [ccg@iese.edu](mailto:ccg@iese.edu)

**Professor Jordi Canals**

President

IESE Center for Corporate Governance

# Corporate Governance News

## GE appoints second CEO in 15 months

Lawrence Culp has replaced John Flannery as CEO of the company...

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## How the SEC settlement affects Tesla's governance

The SEC and Elon Musk settlement forces Musk to step down as chairman of Tesla, to add two independent directors as new board members, and to create a committee to oversee Musk's future communications as CEO of the company... [Read more](#)

## U.S. Court recognizes Material Adverse Effect

The Court of Delaware ruled that a material adverse event occurred in the merger transaction, thus allowing the buyer (Fresenius) to terminate the contract... [Read more](#)

## World's largest sovereign fund promotes better corporate governance

Norway's \$1 trillion wealth fund urged the 9,000 companies in which it invests to improve their corporate governance... [Read more](#)

## **BlackRock predicts responsible funds will skyrocket**

BlackRock has forecasted that by 2028 ESG assets will reach \$400 billion... [Read more](#)

## **The gender pay gap in Europe is still outrageous**

On E.U. Equal Pay Day, the European Commission reported that in the E.U. on average women earn 16.2% less than men, and women's pensions are also 36.6% lower than men's... [Read more](#)

## **U.K.- listed companies in need of reporting standards improvement**

The FRC informed all listed companies in the U.K. that they will need to improve their corporate reporting standards... [Read more](#)

# **Corporate Governance Research & Reports**

## **Annual Review of Corporate Governance and Reporting 2017/2018**

**October 2018**

The FRC has released its Annual Review of Corporate Governance and Reporting, by which the regulatory authority promotes better quality in corporate reporting... [Read more](#)

## ISS Governance Survey

September 18, 2018

The Institutional Shareholder Services Inc. (ISS) released the results of its annual Governance Principles Survey. The survey comprises 699 respondents (109 institutional investor representatives and 469 corporation representatives) from 638 organizations. The survey covers topics such as auditors and audit committees, director accountability, board gender diversity, and the “one-share, one-vote” principle... [Read more](#)

## Spencer Stuart Board Governance Survey

September 10, 2018

Spencer Stuart released the results of its Board Governance survey. The survey addresses board composition and performance among 177 U.S. governance committee members... [Read more](#)

## Upcoming Events & Programs

### **Executive Program: “Consejos de Administración Responsables”**

**IESE Madrid campus, January 29 and 30, 2019**

(in Spanish)

### **Executive Program: “Mujeres en Consejos de Administración”**

**IESE Madrid campus, March 11, 12, April 8 and 9, 2019**

(in Spanish)

### **Executive Program: “Value Creation Through Effective Boards”**

**IESE Barcelona campus, May 20 - 23, 2019**

(in English)

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