Journal of Management and Governance (2022) 26:1–8
https://doi.org/10.1007/s10997-022-09623-y

Introduction to the special issue: "corporate governance of sustainability"

Wafa Khlif[1] · **Lotfi Karoui**[2] · **Coral Ingley**[3]

Accepted: 13 January 2022 / Published online: 26 February 2022

In the face of the growing public realisation that climate change and threats to the planet are a reality, scholars, practitioners and policy makers are placing increasing emphasis on sustainability. Global crises such as the Covid-19 pandemic, the devastating effects of forest fires and social unrest are creating a sense of urgency for change in human behaviour seen as driving these events. In its newest report the UN, backed by scientists, states that the world is on a "catastrophic pathway" toward a hotter future unless governments make more ambitious pledges to cut greenhouse emissions in contributing to the welfare of humanity. Experts say that the world has already warmed by 1.1 degrees since pre-industrial times. The Association of Small Island States asks what it will take for some major emitters to heed the scientific findings and deliver the world from a point of no return. Greenpeace sees governments as letting vested interests call the climate shots rather than serving the global community. The message is that we are living in the climate emergency now and passing the buck to future generations has to end.[1]

Beyond conspiracy and collapsology theories, the scientific consensus is that the path currently followed by civilisation is leading to its destruction (Stiegler et al., 2020). Corporations are thus expected to change their strategies and organising principles to meet new demands for sustainable development. Official reports from NGOs, such as the UN, and government agencies continue to highlight the shortfall

[1] The Sydney Morning Herald, September 18, 2021, *Climate Policy*. *Climate pledges put the world on a 'catastrophic pathway' to hotter future*, *UN says*. Jordans, Frank.

✉ Coral Ingley
coral.ingley@gmail.com

Wafa Khlif
w.khlif@tbs-education.es

Lotfi Karoui
lkaroui@em-normandie.fr

[1] Toulouse Business School, Barcelona, Spain

[2] Metis Lab, Ecole de Management, Normandie, France

[3] Auckland University of Technology, Auckland, New Zealand

in effort toward meeting the requirements for reversing the trend and positively transforming the human impact on the planet through the decarbonisation of economic development (Banuri & Opschoor, 2007). In August 2018, the French Minister of the Environment resigned citing an accumulation of disappointments over the inadequacy of steps to tackle climate change, defend biodiversity and address other environmental threats. The Minister emphasised the inadequacy of “mini steps” taken by France and other nations to slow global warming and avert a collapse of biodiversity.[2] Actions such as that taken by the French Minister underscore the urgency of considering sustainability at a global governance level.

More recently, Exxon,[3] one of the world’s largest oil and gas industry players, is notable for failing to commit to any climate change targets despite pressure from shareholders to define a path toward meeting the 2015 Paris Agreement to limit global warming. In 2021, Engine No. 1, the hedge fund critic of Exxon’s climate strategy, seated three of its members on the Exxon board backed by institutional investors. According to ESG Research at MSCI[4] there is greater seriousness apparent in the thinking among investors about climate change. This action by Engine No. 1 can be seen as representing a rebuff of the whole attitude of the Exxon board.[5]

In August 2021[6] the Wall Street Journal reported that after decades of pushing climate change denial Exxon is “considering” making a pledge to reduce its carbon emissions to net zero by 2050. Critics argue that while this may seem like welcome progress, perhaps initiated by Engine No. 1’s placement of its members on the board, what has not been acknowledged is that the company is facing a crisis that may have shaped this decision: video footage published by Greenpeace’s investigative arm showing an Exxon lobbyist detailing how the company creates smoke and mirrors with deceptive tactics. Publicity for its net zero carbon emissions plan could be a seen as a PR attempt to rescue the company’s image. However, in the past Exxon’s green announcements have focused on emissions intensity, not actual emissions—a problematic measurement that, in the company’s past climate plan, allowed for a 17% annual *increase* in carbon emissions. Thus, critics remain sceptical of any net zero plan the company puts forward as having any real substance. Exxon has multibillion dollar expansion programmes to find and produce new reserves of oil and natural gas, as well as to expand its refining and chemical footprint. The International Energy Agency[7] has said that the only way to meet the Paris Agreement targets and have any hope of curbing warming is by stopping all new oil and gas

[2] Reuters August 28 2018, *French environment minister quits, citing lack of policy progress.*

[3] Reuters 29 May 2019, *Exxon shareholders reject resolutions on climate and splitting CEO, chairman roles*. Jennifer Hiller.

[4] MSCI Press Release 2 June 2021. *Who has the most robust carbon target—ExxonMobil or Chevron?* MSCI.org,

[5] Reuters 26 May 2021, *Exxon loses board seats to activist hedge fund in landmark climate vote.* And 2 June 2021, *Engine No. 1 extends gains with a third seat on Exxon board.* Jennifer Hiller, Svea Herbst-bayliss.

[6] The Wall Street Journal 5 August 2021, *Exxon considers pledging* ‘*net zero*’ *carbon by 2050.* Darren Woods.

[7] IEA Flagship Report May 2021. *Net zero by 2050, a roadmap for the global energy sector.* IEA.org.

exploration by 2022. These events highlight corporate governance as being intimately linked to global sustainability, in holding leaders and corporations to account for their responsibilities to society.

In the increasingly uncertain and complex global environment corporate governance debates have extended beyond corporations, but within the same traditional paradigms and models as though all organisations, institutions, social and political entities are economic enterprises. Such complexity necessitates rethinking the nature of corporate objectives and concepts such as organisational purpose and, accordingly, organisational strategy, structure, mechanisms, and processes, within a new transnational order (Khlif et al., 2019). Governance and sustainability are fundamental to the continuing operation of any corporation. These constructs have moved from being fashionable concepts to being complex and intertwined. While it is relatively clear as to what is generally meant by corporate governance, what is meant by sustainability is much less clear. Being constructed through the prism of Western interests and mainstream corporate governance models, these two concepts have not engaged adequately with contemporary and evolutionary debates on equitable and sustainable new global development (Clarke, 2019). Moreover, these debates are emerging against a backdrop of global economic and social turmoil which is undermining the old global system. Progress through the continuous incentivising of sustainable business conduct is very slow and sometimes counterproductive for those who struggle to compete in the face of unfairness and imbalance in global markets.

The sustainability debate is closely associated with the debate around technology, which is presented as the solution to accelerate sustainable cities and corporations. Stiegler (2015) captured the essentially dual nature of technology as a *pharmakon*, meaning both a 'poison' and a 'cure'. While technology is, in itself, neutral, Stiegler argued that it is both the poison that affects contemporary society and the cure or means through which it could be saved. Many initial assumptions about the appeal of global development and governance have run aground on the shoals of countervailing realities in the past two decades. Understanding the hegemony of formal markets reveals the hidden domination of 'new' old elites who are deeply involved in driving the growth of all types of markets. Formal and informal markets are becoming so deeply interconnected that focused analysis is needed to shed light on what is truly contributing to societal well-being—or is standing in its way—in this emerging global order.

Many scholars focus on value creation in all types of markets but less attention is given to value distribution within planetary boundaries and creating a safe and just space for humanity. For that aim, the concept of value, itself, must be critically examined to develop alternative ways of thinking about the marketable appeal of (corporate) governance best practices. Management literature has begun to question these issues and to call for a deeper understanding of the dynamics of political, social and corporate change. Not only scholars in management, but also those in political science and law urge a rethinking of governance definitions and frameworks for markets, as a unique arbiter (Sjåfjell, 2020). Distinctive calls to reframe the purpose, form and value of organisations are converging upon the broad concept of 'corporate' governance to better grasp the changing interplay of governments, civil society actors and corporations (Levillain & Segretin, 2019). Accordingly, studies are needed that examine these dynamics from multiple perspectives, and critical thinking is required to build knowledge for generating new creative, alternative approaches to corporate governance. Several intellectual proposals have been developed in this regard, such the GEMMES initiative (General Monetary and Multisectoral Macrodynamics for the Ecological Shift), to help informed decision-making on the challenges of ecological transition (AFD report coordinated by Giraud, 2016), the Deep Decarbonization Pathways initiative,[8] or The Internation argument on transition[9]). Progress is, however, slow and inadequate due to the poor commitment by governments and corporations.

This special issue is based on the 6th Critical and Alternative Thinking on Governance (CATG) conference held on 11–12 June 2019 in Barcelona**,** aiming to establish a foundation for building "local" theories and methodologies. The first CATG [initially, Critical and Alternative Approaches to Governance (CAAG)] workshop was held in Barcelona in 2014 and, in its response to this aim, provides a forum which continues to stimulate, deepen and encourage critique of governance thought and practice that includes but goes beyond the pervasive conception of Western forms of governance. The two more recent workshops have stimulated further debate around governing sustainability in a digitalized world, questioning whether from a purely technical perspective, digitalization is providing false solutions to real issues in sustainability (7th Workshop, 2020); and the corporate governance transitioning imperative for sustainability of moving from 'business AND society' to 'business IN society' (8th Workshop, 2021). A strong emerging theme across the eight workshops has increasingly emphasised the idea of sustainability as a governance issue.

Diverse issues in wider debates in the Workshops have included such questions as:

- How could new collaborations between national states, corporations and NGOs promote policies and actions to meet global/local sustainability?
- Are transnational corporations, organisations, or similar large institutions, in their present form, able to promote and implement sustainability initiatives?
- How could local governance practices for the 'big south' growing economies help to enlarge the picture and address a new (corporate) governance approach regarding global sustainability?
- What happens to governance mechanisms when new factors of production, such as knowledge, artificial intelligence, and digital technologies, become central determinants in overall 'social well-being'?
- What new socio-political arrangements are needed to help corporations address the climate change challenge?

[8] https://ddpinitiative.org/.

[9] The Internation collective is an international group of researchers, academics, artists and citizens. Founded on the initiative of the philosopher Bernard Stiegler (IRI, Ars Industrialis), this open-group aims to bring arguments in response to António Guterres' calls on climate change: https://internation.world/.

- Is it the role of corporations (and their governance) to be called upon to provide solutions to sustainability issues? What main features characterise the sustainability challenge from a governance perspective?
- What is the effective role of the reporting guides and directions in preventing poor or weak "governance" of sustainability?
- Is the triple bottom line theory gaining sufficient space and impact to impose parity of governance treatment across the economic, social, and environmental dimensions of sustainability?

Contributions from the CATG workshops have led—and continue to stimulate—thought leadership, research and critical debate that deals with emerging directions for corporate governance of sustainability. This has presented the community of scholars, including early career researchers, with the opportunity to present the working papers presented at, and deriving from, the sixth and other CATG workshops. Of the 10 papers submitted and refereed for consideration for this Special Issue, six of those short-listed were selected for publication. Together these six papers reflect current issues from the wider sustainability and governance debates that have arisen from the Barcelona workshops.

Lynn Buckley considers the implications of entity theory for directors' duties and corporate sustainability. In her paper titled "The foundations of governance: implications of entity theory for directors' duties and corporate sustainability", she argues for a move away from the shareholder primacy perspective towards an entity approach as a more appropriate theoretical foundation for governance in lending itself to sustainable corporate conduct. Her analysis highlights the implications of entity theory for sustainable director decisions when acting in the best interests of the company.

In his paper "Corporate governance and sustainability: a review of the existing literature" **Fabrizio Cesaroni** analyses 468 research studies conducted over the past two decades. Over this time a transition is observed among these studies from more abstract and broad concepts such as "society", "ethics" and "responsibility" to more tangible and action-oriented terms such as "female director", "board size", and "independent director". This transition implies an evolving literature grounded in stakeholder theory, agency theory and socio-political perspectives on voluntary disclosure, growing from an early conceptual approach to more strategic and practice-oriented studies.

Ivo Hristov, Antonio Chirico, and Francesco Ramalli title their contribution: "Corporate strategies oriented towards sustainable governance: advantages, managerial practices and main challenges" and examine integrating sustainability initiatives into strategic-decision-making. The authors propose a conceptual model based on their findings from interviews conducted with 85 managers specialising in sustainable governance, which indicated an association between implementing sustainability initiatives and corporate performance. Their findings show, further, that effective implementation of a corporate sustainability strategy leads not only to superior performance but also to improving the well-being of all stakeholders and the wider community.

Majdi Ben Selma, Wenxi Yan, Taïeb Hafsi's paper, "Board demographic diversity, institutional context and corporate philanthropic giving" focuses on demographic diversity on boards, with particular consideration of the institutional context in relation to corporate philanthropic giving. The authors pose two questions around whether differences in the demographics of board members have an effect on the propensity for corporate philanthropic giving, and if the institutional context impacts that relationship. Their study finds that board demographics play a positive role, and this effect is significantly moderated by the institutional context according to its governance regime and the level of its market development.

Sabri Boubaker, Imen Derouiche, and Hung Nguyen examine, in their paper "Voluntary disclosure, family ownership and tax avoidance", the effect of voluntary disclosure in annual reports on tax avoidance activities, especially where this concerns family ownership. They draw on agency theory which suggests that significant agency costs are associated with tax sheltering. Their study underscores the importance of corporate governance mechanisms such as voluntary disclosure in shaping tax planning. Conducted among French listed companies, their study shows that tax avoidance activities are lower where there is voluntary disclosure, indicating that this mechanism can be an effective monitoring tool to reduce the likelihood of insiders to use tax avoidance to engage in rent extraction, but only when family ownership control is relatively low.

Finally, **Laura Ferri, Matteo Pedrini and Marco Minciullo** highlight, in "Motivations and stakeholder dialogue: An analysis of the mediating role of size and country of origin in Mozambique", the emerging stream of Africa-based research as providing a valuable extension to theoretical frameworks for corporate social responsibility (CSR). These authors contribute to this growing literature by examining the relationship between CSR motivations and stakeholder dialogue in Mozambique. This research setting has several unique characteristics, among which, significant historical institutional voids allow investigation of firms' behaviour in a non-enabling context as an emerging liberal economy, and Ubuntu ethics which grounds firm responsibility in the value of communality and caring for others as an a-priori moral duty. The authors base their study on the definition of stakeholder dialogue as a practice to operationalise CSR and draw on comparative literature on differences in CSR behaviour in emerging economies in respect of firm size and origin. The idea of stakeholder dialogue, according to the authors, is to go beyond communication with a structured process aimed at including the interested parties in the corporate decision-making process. Engaging with stakeholders, they argue, is key in the relationship between companies and society because understanding stakeholders' claims helps to develop a more holistic and comprehensive view of the firm and its responsibilities. Their findings from interviews conducted across 235 companies confirm that motivations to engage in CSR influence firms' commitment to stakeholder dialogue, especially regarding profitability and, in contrast to previous studies, depending on firm size but irrespective of firm origin. They also find that firms primarily motivated by legitimacy are less involved in engagement with stakeholders.

The Special Issue opens with a Research Note by the Guest-Editors, **Wafa Khlif, Lotfi Karoui, and Coral Ingley**, titled "Systemic sustainability: Toward an organic model of governance. A research note". The paper emphasises the urgency of moving toward a holistic governance architecture that places the planet and all life on earth at the centre of sustainability concerns. They urge a shift in emphasis away from existing mechanistic corporate and public governance models, which they regard as essentially top–down, siloed approaches where economic value creation is expected to serve the social and environmental domains. Building on Guattari's (1989) concept of ecosophy the authors propose an integrative perspective of three interrelated elements: economic, social and political, embedded within the natural ecosystems. In their organic governance framework they argue for a transformative approach where interactions in governance are cooperative, adaptive and multi-level at local, national, regional and global levels. This framework of governance is respectful of social wellbeing at the local level and derives from perpetual adjustment to the earth's natural ecosystems. It departs from models where local actions are carried out in isolation, emanating instead from the towards to an integrated global vision based on shared values.

References

Agence Francaise de Developpement. (2016). *GEMMES: Un nouvel outil de modélisation qui intègre la transition énergétique*, rapport aux NU, conférence sur les changements climatiques.

Banuri, T., & Opschoor, H. (2007). *Climate change and sustainable development*. In: UN Department of Economic and Social Affairs Working Paper No. 56, 2007. Retrieved from www.un.org/esa/desa/papers/2007/wp56_2007.pdf

Clarke, T. (2019). Corporate governance and climate change: The new zeitgeist of sustainability for boards of directors. In Y. Gabrielson, W. Khlif, & S. Yamak (Eds.), *Research handbook on boards of directors.* Edward Elgar publication.

Guattari, F. (1989). *Les trois écologies*. Editions Galilée.

Khlif, W., Clarke, T., Karoui, L., SenyKan, K. A., & Ingley, C. (2019). Governing complexity to challenge neoliberalism? Embedded firms and the prospects of understanding new realities. *European Management Journal, 37*(5), 601–610.

Levillain, K., & Segrestin, B. (2019). From primacy to purpose commitment: How emerging profit-with-purpose corporations open new corporate governance avenues. *European Management Journal.* https://doi.org/10.1016/j.emj.2019.07.002

Sjåfjell, B. (2020). Sustainable value creation within planetary boundaries—reforming corporate purpose and duties of the corporate board. *Sustainability, 12*(15), 6245. https://doi.org/10.3390/su12156245

Stiegler, B. (2015). Sortir de l'anthropocène. *Multitudes, 60*, 137–146. https://doi.org/10.3917/mult.060.0137

Stiegler, B., (ed.). (2020). *Bifurquer: Il n'y a pas d'alternative*, Ed., Les Liens qui Libèrent.

Wafa Khlif is Full Professor of Management Accounting at TBS Business School in Bacelona, Spain. Her research interests are in board of directors' efficiency, corporate board roles, duties and composition, and issues in accounting and audit professions. She is a former president of the Accounting Tunisian Association, and acted as Faculty Dean at ISCAE, University of Manouba, Tunisia

Lotfi Karoui is an Associate Professor of strategy and entrepreneurship and is Director of the Program

Grande Ecole at EM, Normandie, France. He has a PhD in management science from the Universite Paris Dauphine-PSL. His research interests are strategic management, corporate governance and managing growth in private SMEs, as well as leveraging human and social capital in family and entrepreneurial firms. Over the past 20 years he has also consulted in strategy and business development, and innovation management for private technology SMEs and start-ups in France.

Coral Ingley FCGI, FGNZ, holds a PhD in corporate governance from RMIT, Melbourne, Australia. Her research and published scholarly work focuses on board behaviour, the role of governance in stakeholder engagement, board leadership in sustainability, and corporate social responsibility, as well as governance in small firms and urban governance. She is a former vice-president of Governance New Zealand and is currently a member of GNZ's board.