


Cambridge University Press

978-1-107-00187-9 - Corporate Governance and the Global Financial Crisis: International Perspectives

Edited by William Sun, Jim Stewart and David Pollard

Frontmatter

[More information](#)



Corporate Governance and the Global Financial Crisis

Over the last two decades there has been a notable increase in the number of corporate governance codes and principles, as well as a range of improvements in structures and mechanisms. Despite this, corporate governance failed to prevent a widespread default of fiduciary duties of corporate boards and managerial responsibilities in the finance industry, which contributed to the 2007–2010 global financial crisis. This book brings together leading scholars from North America, Europe, Asia-Pacific and the Middle East to provide fresh and critical analytical insights on the systemic failures of corporate governance linked to the global financial crisis. Contributors draw from a range of disciplines to demonstrate the severe limitations of the dominant corporate governance framework and its associated market-oriented approach. They provide suggestions on how the governance problems could be tackled to prevent or mitigate any future financial crisis and explore new directions for post-crisis corporate governance research and reforms.

WILLIAM SUN is Leader of the Corporate Governance and Sustainability Research Group (CGSRG) at Leeds Metropolitan University.

JIM STEWART is Running Stream Professor in Leadership and HRD and Director of the Human Resource Development and Leadership Research Unit at Leeds Metropolitan University.

DAVID POLLARD is Reader in Enterprise and Knowledge Management at Leeds Metropolitan University.

Cambridge University Press

978-1-107-00187-9 - Corporate Governance and the Global Financial Crisis: International Perspectives

Edited by William Sun, Jim Stewart and David Pollard

Frontmatter

[More information](#)

Corporate Governance and the Global Financial Crisis

International Perspectives

Edited by

WILLIAM SUN, JIM STEWART AND
DAVID POLLARD



CAMBRIDGE
UNIVERSITY PRESS

Cambridge University Press

978-1-107-00187-9 - Corporate Governance and the Global Financial Crisis: International Perspectives

Edited by William Sun, Jim Stewart and David Pollard

Frontmatter

[More information](#)

CAMBRIDGE UNIVERSITY PRESS

Cambridge, New York, Melbourne, Madrid, Cape Town,
Singapore, São Paulo, Delhi, Tokyo, Mexico City

Cambridge University Press
The Edinburgh Building, Cambridge CB2 8RU, UK

Published in the United States of America by
Cambridge University Press, New York

www.cambridge.org

Information on this title: www.cambridge.org/9781107001879

© Cambridge University Press 2011

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of Cambridge University Press.

First published 2011

Printed in the United Kingdom at the University Press, Cambridge

A catalogue record for this publication is available from the British Library

Library of Congress Cataloging-in-Publication Data

Corporate governance and the global financial crisis: international perspectives / edited by William Sun, Jim Stewart, David Pollard.

p. cm.

ISBN 978-1-107-00187-9 (Hardback)

1. Corporate governance. 2. Global financial crisis, 2008–2009.

I. Sun, William, 1962– II. Stewart, Jim, 1952– III. Pollard, David, 1946–

IV. Title.

HD2741.C7793 2011

338.6–dc22

2011001067

ISBN 978-1-107-00187-9 Hardback

Cambridge University Press has no responsibility for the persistence or accuracy of URLs for external or third-party internet websites referred to in this publication, and does not guarantee that any content on such websites is, or will remain, accurate or appropriate.

Cambridge University Press

978-1-107-00187-9 - Corporate Governance and the Global Financial Crisis: International Perspectives

Edited by William Sun, Jim Stewart and David Pollard

Frontmatter

[More information](#)

Contents

<i>List of figures</i>	page viii
<i>List of tables</i>	ix
<i>List of contributors</i>	x
<i>Acknowledgements</i>	xiii
1 Introduction: rethinking corporate governance – lessons from the global financial crisis <i>William Sun, Jim Stewart and David Pollard</i>	1
Part I The failure of the market approach to corporate governance	23
Introduction to Part I	25
2 Corporate governance causes of the global financial crisis <i>Thomas Clarke</i>	28
3 The failure of corporate governance and the limits of law: British banks and the global financial crisis <i>Roman Tomasic</i>	50
4 Where was the ‘market for corporate control’ when we needed it? <i>Blanaid Clarke</i>	75
5 Information asymmetry and information failure: disclosure problems in complex financial markets <i>Steven L. Schwarcz</i>	95
6 Finance, governance and management: lessons to be learned from the current crisis <i>Roland Pérez</i>	113

Cambridge University Press

978-1-107-00187-9 - Corporate Governance and the Global Financial Crisis: International Perspectives

Edited by William Sun, Jim Stewart and David Pollard

Frontmatter

[More information](#)

vi

Contents

Part II Ownership, internal control and risk management: the roles of institutional shareholders and boards	129
Introduction to Part II	131
7 A review of corporate governance in UK banks and other financial industry entities: the role of institutional shareholders <i>Robert A. G. Monks</i>	134
8 Ownership structure and shareholder engagement: reflections on the role of institutional shareholders in the financial crisis <i>Roger Barker</i>	144
9 Board challenges 2009 <i>Jay W. Lorsch</i>	165
10 Do independent boards effectively monitor management? Evidence from Japan during the financial crisis <i>Chunyan Liu, Jianlei Liu and Konari Uchida</i>	188
11 Risk management in corporate law and corporate governance <i>Christoph Van der Elst</i>	215
Part III Post-crisis corporate governance: the search for new directions	243
Introduction to Part III	245
12 Corporate governance, capital market regulation and the challenge of disembedded markets <i>Peer Zumbansen</i>	248
13 The focus of regulatory reforms in Europe after the global financial crisis: from corporate to contract governance <i>Florian Möslein</i>	284
14 The Great Recession's impact on global corporate governance <i>James Shinn</i>	312

Cambridge University Press

978-1-107-00187-9 - Corporate Governance and the Global Financial Crisis: International Perspectives

Edited by William Sun, Jim Stewart and David Pollard

Frontmatter

[More information](#)

<i>Contents</i>	vii
15 Corporate governance in the Islamic finance industry and mitigation of risks post the global financial crises <i>Nasser Saidi</i>	348
16 A holistic approach to corporate governance: lessons from the financial crisis and the way forward <i>Suzanne Young and Vijaya Thyl</i>	365
<i>Index</i>	389

Cambridge University Press

978-1-107-00187-9 - Corporate Governance and the Global Financial Crisis: International Perspectives

Edited by William Sun, Jim Stewart and David Pollard

Frontmatter

[More information](#)

Figures

2.1 Collapsing stock exchanges in 2008 global financial crisis	<i>page</i> 29
2.2 Comparison of international financial crises	30
9.1 Three interrelated issues	186
11.1 Identification of risks	232
16.1 Holistic model of governance	370

Cambridge University Press

978-1-107-00187-9 - Corporate Governance and the Global Financial Crisis: International Perspectives

Edited by William Sun, Jim Stewart and David Pollard

Frontmatter

[More information](#)*Tables*

2.1	Subprime losses by international banks October 2008	<i>page</i> 34
2.2	Government support for global financial crisis 2008	44
9.1	Interviewees' companies by industry and size in 2008	167
10.1	Definition of variables	194
10.2	Descriptive statistics	198
10.3	Univariate test results	200
10.4	Correlation matrix	201
10.5	Logit regression results (1)	202
10.6	Logit regression results (2)	207
11.1	Risks and risk responses of real estate companies	234
14.1	Modified LLSV Index (Martynova and Renneboog, 2009)	319
14.2	RiskMetrics Group corporate governance scores by country (2004–8)	321
14.3	GovernanceMetrics International corporate governance rankings (2005–9)	322
14.4	RiskMetrics Group (RMG) corporate governance index and foreign investment penetration (2005–7)	329
14.5	Pension assets to GDP and equity exposure to GDP (2005–7)	330
14.6	Correlation of overall pension assets and equity exposure with RiskMetrics and GovernanceMetrics international indices for 20 countries, 2005–7	331
14.7	Results of first-order tests for Investor model and Pension Preferences model	333
14.8	Developed (Set A) and Emerging (Set B) markets, pension assets and equity exposure to GDP (2005–8)	339
15.1	Regulatory and corporate governance (CG) framework for IFIs	350
15.2	Comparison between internal and external Shari'a arrangements	353
16.1	Sample background	372

Cambridge University Press

978-1-107-00187-9 - Corporate Governance and the Global Financial Crisis: International Perspectives

Edited by William Sun, Jim Stewart and David Pollard

Frontmatter

[More information](#)

Contributors

ROGER BARKER is Head of Corporate Governance at the Institute of Directors, UK.

BLANAID CLARKE is Associate Professor of Corporate Law and Director of Research in the Law School at University College Dublin. She was one of the founding members of the Centre for Corporate Governance at University College Dublin and has been involved both at a national and international level in regulating takeovers.

THOMAS CLARKE is Professor of Management and Director of the Research Centre for Corporate Governance at the University of Technology, Sydney.

CHUNYAN LIU is a PhD programme student at the Graduate School of Economics, Kyushu University, Japan.

JIANLEI LIU is a PhD programme student at the Graduate School of Economics, Kyushu University, Japan.

JAY W. LORSCH is the Louis Kirstein Professor of Human Relations at the Harvard Business School, Harvard University, and currently Chairman of the Harvard Business School Global Corporate Governance Initiative and Faculty Chairman of the Executive Education Corporate Governance Series.

ROBERT A. G. MONKS is a pioneering shareholder activist and corporate governance adviser and an expert on retirement and pension plans. He is the author of *Corporate Governance* (WITH NELL MINOW), *Watching the Watchers*, *The New Global Investors* and *Corpocracy*, and was a founder of Institutional Shareholder Services, Lens Governance Advisers and The Corporate Library.

Cambridge University Press

978-1-107-00187-9 - Corporate Governance and the Global Financial Crisis: International Perspectives

Edited by William Sun, Jim Stewart and David Pollard

Frontmatter

[More information](#)

List of contributors

xi

FLORIAN MÖSLEIN is Assistant Professor of Law at the University of St Gallen, Switzerland. He is also Senior Research Fellow at the Faculty of Law, Humboldt University of Berlin, Germany.

ROLAND PÉREZ is Professor Emeritus in Economics and Management at Université Montpellier I, France, and Chairman of the Scientific Committee of French Review for Corporate Governance (RFGE). He was Chairman of the International Research Network on Organizations and Sustainable Development (RIODD) (2007–9), and Chairman of the French Academy of Management (SFM) (2006).

DAVID POLLARD is Reader in Enterprise and Knowledge Management at Leeds Business School, Leeds Metropolitan University. He has held visiting professorships in China and is frequently invited to lecture or to provide research seminars for various universities abroad.

NASSER SAIDI is Executive Director of the Hawkamah Institute for Corporate Governance and Chief Economist of the Dubai International Finance Centre Authority. He has been a member of the IMF's MENA Regional Advisory Group since 2009 and Co-chair of the MENA Regional Corporate Governance Forum since 2004.

STEVEN L. SCHWARCZ is the Stanley A. Star Professor of Law and Business at Duke University and Founding Director of the Duke University Global Capital Markets Center. He has testified before committees of both the Senate and House of Representatives and has been an advisor to the United Nations on international receivables financing. He is currently the Leverhulme Visiting Professor at Oxford University.

JAMES SHINN is Lecturer at Princeton University and serves on the boards of several technology firms and non-profits, including the Yale Center for Corporate Governance.

JIM STEWART is Running Stream Professor in Leadership and Human Resource Development, Director of the HRD and Leadership Research Unit and Director of the Doctorate in Business

Cambridge University Press

978-1-107-00187-9 - Corporate Governance and the Global Financial Crisis: International Perspectives

Edited by William Sun, Jim Stewart and David Pollard

Frontmatter

[More information](#)

xii

List of contributors

Administration Programme at the Faculty of Business and Law, Leeds Metropolitan University.

WILLIAM SUN is Leader of the Corporate Governance and Sustainability Research Group (CGSRG) and Independent Chair for PhD Viva Voce Examinations at the Faculty of Business and Law, Leeds Metropolitan University. He is Visiting Professor of Management at Harbin Engineering University and Harbin University of Commerce. He is editor of the series *Critical Studies on Corporate Responsibility, Governance and Sustainability*.

ROMAN TOMASIC is Professor of Law and Chair in Company Law at Durham Law School, Durham University, UK.

VIJAYA THYL is Senior Lecturer in Finance at Deakin Business School, Deakin University, Australia.

KONARI UCHIDA is Associate Professor of Finance at the Faculty of Economics, Kyushu University, Japan.

CHRISTOPH VAN DER ELST is Professor of Business Law and Economics at the Faculty of Law, Tilburg University, the Netherlands. He is also Professor of Commercial Law and Corporate Governance at the Law School of Ghent University, the Netherlands, and a visiting professor at the College of Europe, Belgium and at the University of Torino (CLEI), Italy.

SUZANNE YOUNG is Associate Professor and Director of Corporate Responsibility and Global Citizenship at the Graduate School of Management, La Trobe University, Australia.

PEER ZUMBANSEN is Professor of Law and Canada Research Chair in Transnational Economic Governance and Legal Theory at Osgoode Hall Law School, York University, Canada.

Cambridge University Press

978-1-107-00187-9 - Corporate Governance and the Global Financial Crisis: International Perspectives

Edited by William Sun, Jim Stewart and David Pollard

Frontmatter

[More information](#)

Acknowledgements

This edited volume is the result of a collective effort of scholars and experts across ten countries. We wish to thank all the contributors for their intellectual contributions, collaborations and support of this work.

For their academic engagement, we wish to thank Professor Fuxiu Jiang, Renmin University of China; Banu Kring, İzmir University of Economics; Pradeep Ray, University of New South Wales; Sangeeta Ray, University of Sydney; Zahid Riaz, University of New South Wales. Special thanks are due to James McRitchie, publisher of CorpGov.net, for his great support to the volume editorial process. A special thanks also to the volume editorial assistant Maggie Meng.

This work was supported by the Faculty of Business and Law, Leeds Metropolitan University. We particularly thank Professor Ian Sanderson, the Faculty Director of Research, and Lawrence Bellamy, Leader of the Strategy and Business Analysis Subject Group, for their kind support throughout the research process.

At Cambridge University Press, special thanks are due to Paula Parish, Philip Good, Carolyn Fox, Jo Breeze and Karen Oakes. They have done a great job with the processes leading to the volume publication. Thanks also to the Press's anonymous reviewers who provided us with insightful and generous feedback.

We wish to thank the following scholars who participated in the review process of the volume chapters and their contributions to the volume are specially acknowledged: Mathew Appleyard, Leeds Metropolitan University, UK; Gabriel Eweje, Massey University, New Zealand; Guler Manisali-Darman, Corporate Governance and Sustainability Center, Turkey; James McRitchie, publisher of CorpGov.net, USA; Paul Manning, Leeds Metropolitan University, UK; Neil Richardson, Leeds Metropolitan University, UK; David Russell, De Montfort University, UK; Roman Tomasic, Durham University, UK; Christoph Van der Elst, Tilburg University, the Netherlands; Suzanne Young, La Trobe University, Australia.