

Research Project: Sustainable Business Models and Practices: CSR, Governance and Greening.

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Background: BRASS was established at a time when high profile failures in corporate governance (such as Enron) and in the socio-environmental performance of firms in some sectors had led to growing concern about corporate governance. In some cases and countries this had led to investigations into possible solutions (such as the 2003 Smith Report and Higgs Report in the UK) and in some cases regulatory changes (such as the 2002 Sarbanes–Oxley Act in the USA). The pursuit of business sustainability and CSR, particularly from a stakeholder relationships perspective, raises many important issues relating to the processes and rules by which companies are managed and controlled. This project considered the ways in which corporate governance processes are evolving in the light of increasing pressures for the adoption of CSR and sustainability strategies, and also to understand how corporate cultures evolve to become more orientated towards CSR, sustainability and notions of corporate citizenship.

Aims & objectives:

- To better understand the development of CSR theory and practice in the late 20th/early 21st centuries, and its implications for corporate governance;
- To analyse and compare different approaches to promoting better corporate governance, and the relative strengths and weaknesses of particular governance systems;
- To explore the role of corporate culture in the creation of more socio-environmentally responsible businesses, and its role in governance process.

About the research: This research project had several distinct but interrelated strands including:

- **Corporate governance:** BRASS has researched into the responsibilities of Boards of Directors and also of Pension Fund Trustees in relation to corporate governance, and also in relation to the particular CSR/sustainability challenge of climate change (see A50). Much of this work has been pulled together in the book *Corporate Governance and Accountability* by Prof Jill Solomon (now in its fourth edition, the original edition was Solomon and Solomon).
- **Comparative governance:** As well as work on corporate governance within the UK, this project has also had an international comparative element with work contrasting the approaches in Asian countries including Korea, Thailand and Japan to those of the UK.
- **Governance codes of conduct and regulation:** The past decade has witnessed efforts in many countries to promote codes of conduct and regulatory measures aimed at improving standards of corporate governance with varying degrees of success. BRASS research has investigated the progress and outcomes of several of these including the Company Law Reform Bill, OECD disclosure requirements, the combined code of corporate governance and the UK Stewardship Code.
- **The ‘re-discovery’ of CSR in the post-Enron era:** This work has included investigating the ways in which organisational cultures have evolved in response to the sustainability and CSR agenda. At the time of the 2002 European Green Paper on CSR, BRASS produced a review covering key developments in research in CSR over the preceding five years. This was originally developed as a supporting input to the two CSR Seminars organised on behalf of the ESRC (see below), but was later published as a pair of journal papers.

Results and outputs: The work on corporate governance helped to expand the theoretical framework for corporate governance and accountability research beyond its traditional (mostly

quantitative) base, and generated a new framework to help researchers better understand the structure of the existing research agenda and locate their own work within it.

The work on codes and regulations included an analysis of the relatively groundbreaking UK Stewardship Code and its potential to change the relationship between institutional shareholders and professional managers, and to create more of a long-term stewardship mindset for investors. The analysis revealed several market failures and structural limitations that currently prevent investors from becoming effective stewards.

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Impacts achieved/potential for impact: The corporate governance research had a very direct input into industry through Prof Jill Solomon's ongoing chairing of the ACCA's Special Interest Group on Corporate Governance, and her book on Corporate Governance (now in its 4th edition) has been widely used in management education. Jill also authored the industry report *Directions in Corporate Governance* for the ACCA in 2009. In 2003 BRASS organised a British Accounting Association conference on Corporate Governance, and edited a special issue of *Corporate Governance: An International Review*, including papers presented at the conference.