Corporate governance: on the crossroads of meta-regulation and social responsibility

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Abstract

Purpose – The purpose of this paper is to discuss incongruities in the corporate entity over the matter of agency. In lieu of the traditional notion of moral agency theory, the stakeholder model offers congruent grounding to corporate governance. Socially irresponsible or unethical corporate activities are perceived to increase expenses, diminish shareholder value and tarnish business reputations. In contrast, socially responsible corporate practices contribute to positive attitudes to the company and contribute to the creation of competitive advantage.

Design/methodology/approach – This paper follows the ongoing evolution of the regulatory changes instituted after the scandalous corporate fiascos of the present century, such as those of Enron and WorldCom in the USA, Polly Peck in the UK, HIH Insurance and One.Tel in Australia, and Siemens in Germany, inter alia. The exposition also touches on the regulatory metamorphosis of corporate governance in its convergence towards "meta-regulation" with corporate social responsibility at the core.

Findings – While meta-regulation has so far worked in many countries, caution is expressed over the perils of over-reliance on a meta-regulatory approach. Industries or market sectors should also attempt to operate from the start within the confines of self-regulation and government regulation. Market sectors and industries need to find the framework of regulation that is best suited to their operations.

Originality/value – The paper concludes by discussing the observed challenges and implications of such convergence, as well as future directions for law practitioners, academics and researchers in the realm of corporate conduct.

Keywords Corporate social responsibility, Corporate fraud, Board of directors, Corporate governance, Corporate moral agency, Meta-regulation

Paper type Research paper

Introduction

At the outset, legal incongruities beset the attribution of agency to a corporate entity. To put the case clearly, this paper should more appropriately term agency in the ethico-legal context *moral agency*. As defined in an article in the journal *Ephemera*, moral agency refers to the "ability not only to take intentional action, but also to be morally responsible for one's own actions' (Lampert, 2016). Building on this definition, moral agency is a special characteristic of moral persons, this statement which is not reversible. In its simplest terms, it was argued that "if a corporation is not a moral person, then it is not a moral agent" (Lampert, 2016).

Some philosophers, particularly de George, French and Werhane, have separately attempted to explain how a corporation may be conceptualized to possess moral agency.

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The treatise entitled *The Fallacy of Corporate Moral Agency* (Ronnegard, 2015) offers a concise review of the workarounds contrived to resolve the problem of corporate moral agency. Richard de George attempted to avoid the term itself but even so conceptualized corporations or organizations as moral actors, reasoning that corporations do not have an individual person's *interiority*, or conscious self-presence (Williams and Bengtsson, 2018). Such conscious self-presence is "central to the meaning of the concept of person [. . .] [where] one can say that personality signifies interiority to self" (Williams and Bengtsson, 2018).

Meanwhile, Peter French, a prolific advocate of corporations as moral agents, created the term *corporate internal decision* (CID) *structure* as the intentional element that could justify predicating intentionality upon a corporation. In other words, French evaded the attribution of self-conscious moral agency to a corporation by classifying it as a moral agent, replacing self-consciousness with CID as the personality of an organization (Ronnegard, 2015, pp. 17-22). Similarly, Patricia Werhane maintained that *corporate moral agency* may be represented as a vicarious relationship between "the corporation as the principal and the employees as the agents." Werhane also enunciated the theory of corporate action via secondary action, where corporate action is deemed correctly attributed so long as it is grounded on the action of some other agent (Ronnegard, 2015, p. 48).

However, as further explained in *The Fallacy of Corporate Moral Agency*, de George, French and Werhane conferred forms of moral agency on corporations simply as conceptual justification, but these forms are, unfortunately, deficient in substance. These writers do not consider the metaphysical foundations that support their individual claims. Given that members of a corporation are independent free agents, such forms "[preclude] their actions from being attributable to a corporate principal". Furthermore, Rönnegard comments that autonomy on its own erodes the moral agency of a corporation because "it shows the impossibility of establishing the corporation as the proper bearer of moral responsibility in a manner that is *distinct* from the corporate members" (Ronnegard, 2013). Thus, it was already overdue for corporate governance to shift its focus from moral agency to accountability, disclosure, ethics and transparency, most notably just after the Enron scandal in the new millennium (Gill, 2008).

Essentially, this paper follows the ongoing evolution of the regulatory changes instituted after the scandalous corporate fiascos of the present century, such as those of Enron and WorldCom in the USA, Polly Peck in the UK, HIH Insurance and One.Tel in Australia, and Siemens in Germany, *inter alia*. The exposition also touches on the regulatory metamorphosis of corporate governance in its convergence towards "*meta-regulation*" with corporate social responsibility (CSR) at the core. The article concludes by discussing the observed challenges and implications of such convergence, as well as future directions for law practitioners, academics and researchers in the realm of corporate conduct.

Evolution of corporate regulation in the new millennium

In the context of the USA, the auditing of corporate financial statements was traditionally subject to self-regulation (Hanson, 2012). Corporate governance may, thus, be viewed as traditionally self-regulated. From a 1985 definition cited in a Berkeley law review article by Gill (2008, p. 453), *corporate governance* was described as a "set of norms and laws [. . .] [which] served to shape the relations among boards of directors, shareholders, and managers as well as to resolve agency conflicts". The above rules specify guidelines for decision-making as implemented by the internal mechanisms of corporations. The same article cites a definition of corporate governance written two decades later, where the concept of social responsibility was introduced to broaden the concept of governance and balance shareholder goals with environmental, public and social issues that impact other stakeholders.

In the above updated conceptualization of corporate governance, corporations look after the needs of other stakeholders by treating consumers, employees and the community similarly, if not the same, as the stakeholders (Gill, 2008, pp. 453-454). This definition appears to represent what corporate governance should do in the global context. A sampling of corporate regulations from selected countries (the USA, the UK and Germany) before the year 2000 is presented in the next subsection.

The USA

The history of American corporate governance is described in an evaluative review of global corporate governance (Morck and Steier, 2005) as family-controlled big businesses to begin with, having the governance characteristics of pyramidal business groups, as they do in most countries. While there is nothing wrong with family-controlled corporations *per se*, the same document observed that family corporations may have a strong inclination to lock their governance within themselves for the same of its many benefits, one being reliable cooperation. However, corporations controlled by families may hinder the promotion of trustworthy institutions and markets (Morck and Steier, 2005, p. 38). Another feature inherent in family corporations, according to the extant literature, pertains to the problem of *founder's syndrome*. Although founder's syndrome was initially attributed to non-profit bodies, its effects as worked out in agency theory are visible in all types of organization. The key challenge in family-managed corporations, as postulated in founder's syndrome, is that "the founder finds it almost impossible to hand over the decision-making process to someone else as he has a conviction that only he can bring his company into success" (Gunduz, 2018).

It may be said that the progressive movement in the post-Depression era brought changes in corporate governance, primarily through the Securities and Exchanges Act of 1934. Urged by activist judges and like-minded politicians, professional managers took over the charge of corporations while the board of directors monitored how the business was managed. This governance set-up for corporations persisted through until the 1970s and 1980s, which were marked by major corporate bankruptcies, indignation over quality issues in the auditing of public companies (Hanson, 2012, p. 10) and hostile corporate takeovers (Morck and Steier, 2005, p. 18). Consequently, institutional investors called attention to improved governance transparency, reporting and accountability (Morck and Steier, 2005). In response to these developments, the American Institute of Certified Public Accountants launched various measures to raise the bar in auditing practice, particularly with the creation of the Auditing Standards Board, the Quality Control Inquiry Committee and the SEC Practice Section (Hanson, 2012).

With a more balanced attention to shareholders' benefits versus those of the other stakeholders, CSR was naturally and voluntarily embedded into corporate governance. Such devices and mechanisms as "business ethics, corporate codes of conduct, non-financial reporting practices and complaint and dialogue channels" surfaced as symbolic devices in the new era of corporate self-regulation. In this phase in the history of American corporates, private and public entities worked in tandem to produce a self-regulation framework that was not only enforceable but also effective (Gill, 2008, p. 454). Self-regulation, in this regard, is defined as "the voluntary association of firms to control their collective behaviour" (Bowen, 2017). Nevertheless, the American version of self-regulation failed because it did not adequately differentiate moral legitimacy from pragmatic legitimacy. Conflating these two kinds of legitimacy in governance by self-regulation is described by Bowen as "marking one'*s* own homework (Bowen, 2017, p. 267).

Self-regulation: moral versus pragmatic legitimacy

To be fair, it may be stated that the US version of self-regulation in corporate governance did institute evaluation procedures. Nevertheless, the self-regulation approach in the framework of legitimacy amounted to an oversight. For an action, a practice, a scheme, or an organization to have moral legitimacy, it must focus on "the right thing to do", but pragmatic legitimacy concerns the "ethical foundations of an organisation or activity and the reciprocal responsibility norms generated between an organisation and its stakeholders" (Bowen, 2017, p. 262) Pragmatic legitimacy considers more than merely the alignment of interest with the normative consistency of a wider public perspective (Bowen, 2017). The latter varies according to accidents of history, business groups, ideology, the concept of family, legal perspectives (i.e. the law), trust and cooperative behaviour, economic origin, financial developments, institutional evolution, politics and human nature. Meanwhile, moral legitimacy is grounded in:

- the consequential: the accomplishments of organizations;
- the procedural: whether these organizations show socially accepted processes and techniques; or
- the structural: whether the organization is right for the job (Bowen, 2017).

It is argued in the present paper that moral agency may be attributed, not to corporations as moral agents or moral actors, but instead to responsible managers in their behaviour, which refers to the intentional actions that managers perform for the benefit of the corporation's stakeholders and/or the actions they perform to veer away from adverse outcomes, both to the stakeholders and the society as a whole (Filatotchev and Nakajima, 2014). In this respect, if a corporation is administered by a group of managers who look after the various aspects of the business, each of these managers has individual responsibilities and accountabilities which in sum constitute responsible (or irresponsible) managerial behaviour.

The case of Enron

In the fraud analysis of the Enron case by the behavioural game theory of corporate fraud Fairchild and Marnet support the above hypothesis. They argue that the breaching of corporate ethical norms derives from small individualistic decisions and tends to be influenced by past, accumulated misdeeds over time. As unethical managers get ensnared in fraudulent activities, a culture of fraud is perpetuated, in which ethical managers are sometimes inevitably dominated or even corrupted to the point of unethical behaviour (Fairchild and Marnet, 2018).

It cannot be denied that each organization may be unique in the factors that influence corporate governance and the institutional context; hence, managerial approaches to CSR may also be different. Thus, corporate governance entails not only the demand for operational and financial efficiency imposed by the market but also the demand that manager shall act reasonably, guided by accepted governance practices in decision-making. However, the role of corporate governance in implementing policies and not merely for compliance and recognition of corporate responsibilities concerning the stockholders and the external stakeholders should never be ignored or down-played (Filatotchev and Nakajima, 2014). In fact, if policies that truly reflected socially responsible and ethical managerial conduct had been institutionalized in Enron, it would have been very difficult, if not impossible, to design and carry out an intricate scheme to deceive both investors and regulation monitoring authorities, to manoeuvre the entries in financial statements and to create an illusion that the company was as valuable as its managers had claimed. Enron tried, among other things, to use various tactics from investment banking to massively understate the actual amount of its debts (Hill, 2017). As this deceit played out, Enron was also making laudable CSR initiatives, such as substantial charitable donations (Heslin and Ochoa, 2008).

The case of WorldCom

WorldCom's fraud and eventual bankruptcy were also difficult to detect, perhaps even more difficult than Enron's were because of the nature of WorldCom's business – telecommunications. They relied on repeated attempts to communicate misleading information to the public and to the Federal Communication Commission (FCC), to the effect that WorldCom's internet traffic almost doubled every three months. The hoax disclosure benefited from an air of credibility given that internet traffic volumes are highly proprietary and are not shared even among internet service providers. Furthermore, WorldCom dominated internet backbone services at the time.

Meanwhile, apart from misinformation about Internet traffic, WorldCom also committed accounting fraud, misreporting a loss of nearly US$700m as a profit of close to US$3bn. The telecommunications company also admitted deliberately recording expense costs as investments. This manipulative scheme was discussed in a paper by Schilit, who had founded a fraud detection company, as *improper capitalization of normal operating expenses*, highlighting he verdict that "WorldCom is the champion of this type of earnings manipulation. It treated as much as $12bn in line costs as an asset, thus, capitalizing operating expenses" (Schilit, 2010). Such unethical accounting practice affected not only its stockholders but also manufacturers of telecommunication equipment and telecommunications carriers. This was confirmed by the FCC Commissioner at the time, Kathleen Q. Abernathy, who partly ascribed the slump in the telecommunications industry to the fraudulent behaviour of WorldCom:

> Not only did the economy suffer from devalued businesses and widespread layoffs, but several companies – most notably WorldCom – appear to have resorted to financial deception to mask poor performance. This fraud compounded the downturn by shaking investors' confidence in the truthfulness of financial statements (Sidak, 2003).

The era of corporate self-regulation was thus jolted by the perturbing tremor of opprobrium for Enron and WorldCom. After all, the fall of Enron stood out as one of the "quintessential cases of corporate fraud" (Brody and Perri, 2016). More importantly, in addition to enforceability and effectiveness as cited in Gill (2008, p. 454), "the latter [would] have to be backed up by ethical conduct, which engenders the trust for markets to function with outstanding efficiency". The lessons learned from the Enron and WorldCom debacles suggest that the good intentions promised by self-regulation are never enough and that, especially for WorldCom, the administrative deregulation of a market sector is significantly expensive (Sidak, 2003).

Enron was at one stage Fortune's most innovative US company for six consecutive years – 1995 through 2000 – and in 2001 was ranked the seventh of its ten largest companies. The corporate world hailed Enron for its innovative power tag to the point where it hardly noticed the camouflaged, chaotic, disorganized and extremely competitive intra-organizational culture. On top of these irregularities, as 2001 came to a close, its financial performance report on its road to bankruptcy teemed with imaginatively schemed, institutionalized, intentional and systematic accounting frauds and corruption. The repercussions of the now-notorious Enron scandal were global, for it precipitated the fall of Arthur Andersen Accounting, one of the world's Big Five auditing firms. The nearly catastrophic events leading up to the investigation and convictions warranted extensive media coverage (Eckhaus and Sheaffer, 2018).

Enron is probably the biggest fraud scandal in modern corporate history, but it may not be a typical subject for an academic case study because of the major role played by governance failures. These failures, which perpetuated the questionable practices, were believed to be difficult to detect from the outside, to the extent that the corporation resorted to unorthodox accounting policies in order to create a semblance of high current earnings

(Bradley, 2019). This is described by Bradley in a legal journal article as "strategic deceit and imprudence from its very first year [of operations]". Thus, it appears that Enron went through the motions of pragmatic legitimacy, paying lip service to corporate governance with social responsibility (Bradley, 2019, p. 133). However, as is by now history, Enron miserably failed in both pragmatic and moral legitimacy.

As Bradley's article explains, "the importance in today's markets *virtually* [italics in original] requires that a publicly held corporation have a 'social responsibility' strategy"(Bradley, 2019). "Virtually" may be taken to mean *almost altogether*, *in effect*, or *approximately*. Whatever its definition, the single word, "virtually", encapsulates why corporate governance cannot always be effective. Taken verbatim from a symposium article published by the *Academy of Management Perspectives*, effective corporate governance entails:

> [. . .] mechanisms to ensure that executives respect the rights and interests of company stakeholders, as well as those stakeholders accountable for acting responsibly with regard to the protection, generation and distribution of wealth invested in the firm (Filatotchev and Nakajima, 2014).

Virtual social responsibility is thus no more than a figure of speech and has no weight in practice.

The UK

As in the USA, many corporations in the UK are structured as family-controlled pyramids. Such pyramids attained greatest significance in the middle of the twentieth century (Morck and Steier, 2005, p. 16). As described in Morck and Steier, a pyramid is:

> A structure in which an apex shareholder, usually a very wealthy family, controls a single company, which may or may not be listed. This company then holds control blocks in other listed companies. Each of these holds control blocks in yet more listed companies and each of these controls yet more listed companies [. . .] They can contain dozens or hundreds of firms, listed and private and put vast sweeps of a nation's economy under the control of a single family (Morck and Steier, 2005, p. 2).

Corporate disclosure appreciably improved in 1948 and reduced the risk of hostile takeovers by the so-called corporate raiders, Morck and Steier (2005, p. 16) a term for investors who purchase a large number of shares offered by a company whose assets seem to be undervalued (Gaughan, 2011). The pyramids were established as a mode of defence for hostile takeovers, but the inherent features of such business/corporate pyramids were perceived by investors to be problematic. This prompted institutional investors to lobby against the governance issues that they saw in pyramids because such ownership structures allow *corporate insiders* to exploit control positions for private advantage (Morck and Steier, 2005, p. 16). Corporate insiders are composed of directors, other officers of a corporation or major shareholders who own more than 10 per cent of a company's shares (Wei and Du, 2003). UK corporates, however, had by the early part of the twentieth century set higher standards of ethical conduct, which saw the pyramids dismantled and characteristically diffuse ownership (Morck and Steier, 2005, p. 17).

The Directors Liability Act of 1890, in particular, held corporate directors liable for the information in their company's prospectus soliciting the purchase of shares. This, in effect, established liability for anomalous insider trading deals and reinforced the philosophy of obligatory corporate disclosure (Morck and Steier, 2005, p. 17). However, one high profile UK case of accounting trickery and the eventual theft of corporate resources showed that compulsory disclosure of corporate financial information safeguards companies from intentional reporting bias. This was the notorious Polly Peck scandal.

What was interesting with Polly Peck International in 1983 was its hypocritical show of compliance with the Statements of Statutory Accounting Principles (SSAP 20) concerning foreign currency translation, which encouraged the closing rate method and the translation of profit-and-loss items, permitting the average rate. Such methods neutralize significant volatility grounded in currency fluctuations. Nevertheless, they are suitable on a case-by-case basis under certain conditions cited in Jones. To summarize, PPI's appeal to the mandated SSAP gave an increase in turnover of £2.7m and a net income of nearly £1.5m for the year [. . .] [while from 1982 to 1989] it had £735m outstanding in long-term debt (Jones, 2011).

To the unsuspecting regulator or investor, the issues were not readily visible. An article published in the UK financial magazine *Money Week* clarified the events in layman's terms. One of PPI group's biggest companies overseas had made a loan in *sterling* (£) in an emerging market with a markedly weaker currency where no hedging or qualifying conditions were in place. This transaction was not anomalous *per se*. However, the company manipulated its financial statements. Being a developed international currency, the *sterling* £ typically offers lower rates than currencies in emerging economies can.

In the scheme that was operated, a *sterling* £ charging a much lower interest rate was immediately invested in the overseas company but in currency of a lower value and hence at a substantial rate of interest to make up for the value of the currency, four or more times that of the *sterling* £. The unethical part lay in the financial reporting, and it is this on which the socially responsible or irresponsible behaviour of corporate governance is predicated. The PPI books were made to look an outwardly healthy income statement, where the gap between the interest charged on the loan and the fourfold earnings reported on the investment was reported as income. Only in this case the income was bogus and the company finances were not in good health (Bennett, 2012).

Unlike Denmark, France and Sweden, most jurisdictions do not enforce mandatory CSR reporting (Morck and Steier, 2005, p. 18). The case of the UK is quite unique to date, because the fate of the UK's Brexit after the negotiations is yet to be politically resolved, even though preparations within the European Union (EU) are under way regarding the board diversity and the corporate disclosure of non-financial information. The disclosure-related changes which took effect in 2017 required a number of large corporations to publish details on the following: anti-corruption and bribery issues, board diversity, employee and social aspects, environmental matters and their risks and outcomes, policies and respect for human rights (Galant and Cadez, 2017).

Outside the EU, corporate governance within the UK is regulated mainly through the revised version of the Financial Services and Markets Act, 2000. Among other things, the Act permits the Financial Conduct Authority (FCA) to create laws on corporate governance for trading on a regulated financial services market (Financial Services and Markets Act, 2000). The FCA is the financial regulatory body in the UK; it is independent of the government and its finances are sourced from fees charged to members of the industry (Kovas, 2015).

The only problem with the FCA is that it has no legal power beyond its specified legal authority in the Financial Services and Markets Act (FSMA) 2000. Any attempt on the part of FCA to go beyond its mandated power would be considered *ultra vires* and would be subject to judicial review as set forth by legislation (Kovas, 2015). The UK's recognition of the supremacy of its parliament appeared to be one of the key justifications for Brexit, as while it is part of the EU, the UK understands that the European Communities Act 1974 transfers the UK parliament's supremacy to the legislative and adjudicative functions of designated EU institutions (Kovas, 2015, p. 4).

FSMA clarifies that the FCA may establish rules to guide corporate conduct (Financial Services and Markets Act, 2000). So far, the main issues observed with the FCA is its "deliberately judgmental and intrusive supervisory style", which it justified with the intention of driving firm behaviour by means of detailed rules (Kovas, 2015, p. 10). This, in essence, is a step closer to meta-regulation, which is discussed at greater length in the next section.

Australia

Like those of many other capitalist democracies, Australia's corporations in the nineteenth and the first half of the twentieth centuries were mostly family-owned and -run (Fleming, 2003). In his article *n Agenda*, Fleming notes it was a recent development that corporate ownership should be separate from control. Based on the analysis of major Australian firms in Fleming, board size was fairly stable until the 1960s, because external investor requirements pertaining to meticulous oversight and review were until then at a modest level. (203). Furthermore, in the last quarter of the twentieth century, corporations began to appreciate the importance of professional managers as non-executive directors, owing to their greater decision-making, governance and monitoring capacity.

Another change noted in the mechanisms of corporate governance in Australia as the new millennium dawned was the significant increase of blockholders (Fleming, 2003, p. 204). Although most articles are vague or lack a standard description of what differentiates blockholders from shareholders in general, as Edmans and Holderness remark, most writers are aware of the importance of the size of blocks and the dollar value of blocks held by blockholders (Edmans and Holderness, 2017). The increase observed in blockholder size is explained in terms of the increase in ownership concentration among major firms. Often, blockholders enjoy the benefit of dialogue with corporate management. Such privilege, when used appropriately, translates into improved external monitoring of corporate governance. However, according to Fleming's research on the Australian corporates, governance mechanisms did indeed change shortly before the turn of the century, but corporate governance itself had not improved much in the previous half a century (Fleming, 2003, pp. 204-205).

It sounds judgemental, but Sykes' observation that "corporate collapses tended to occur in waves [. . .] corporate scandals were not the result of economic cycles as generally assumed, but were the outcome of the 'greed and folly of the people who ran them'" seems to have some truth in it. In the USA, there was a spate of collapses such as Enron, WorldCom and Lehman Brothers, whereas in Australia, the Health International Holdings (HIH) and One.Tel corporate scandals occurred, together with a host of other business collapses, in the same year (Riaz and Kirkbride, 2017).

The One.Tel collapse was excoriated as a classic dereliction of CSR, which came about as a coalescence of defective corporate governance, strategic management mistakes, unfounded growth projections and unrealistic expectations. This was one corporate collapse that was facilitated by serious governance and management blunders, including flawed internal control, unreliable financial reporting, poor audit quality, lax monitoring of management and inefficient communication between management and the corporate board. Lax monitoring and inefficient communication ensued because One.Tel had not clearly defined the responsibilities of the management and corporate board. It also appeared that the CEO enjoyed practically unrestricted power and dominance over the other members of the board such as to contravene the practice of good governance (Monem, 2012).

Meanwhile, as reported in a business and economics journal, the post-scandal findings in the HIH investigations showed expensive but ill-advised business acquisitions, including the infamous FA1 Insurance take-over. The findings further revealed what Riaz and Kirkbride call "excessive corporate lavishness", including immense bonuses for executives. Incomplete disclosure of financial information between management and the corporate board, including details of remunerations and bonuses, were also revealed to be major factors in the fall of HIH (Riaz and Kirkbride, 2017, pp. 66-68). It was much to blame for its intentional failure to give due importance to a prudential margin, given that it was an insurance corporation. Maintaining a prudential margin refers to the common practice of reserving at least 20 per cent of their capital "beyond what is necessary to cover expected liabilities" (Buchanan *et al.*, 2003).

The above suggests inherent deficiencies both in HIH and in some of Australia's governance monitoring mechanisms, At this point it may be recalled that Rodney Adler, a co-founder and non-executive board member of HIH, is also the son of the founder of FAI Insurance, an acquisition that was a big factor in the HIH collapse. The engagement of independent directors is a good governance mechanism, which was totally disregarded in the case of HIH and FAI because of Adler. Such business-familial relations may have contributed to the Australian corporate phenomenon, where the presence of independent directors contributed no *empirical* business value in the period 1985-1995 (Buchanan *et al.*, 2003, p. 18).

The merger of HIH and FAI Insurance may, therefore, be interpreted as an avaricious collusion scheme for self-gain engineered by the HIH CEO with a questionable second report by a supposedly independent expert, who later served as auditor for HIH (Buchanan *et al.*, 2003, p. 18). The consequences of the HIH collapse not only impacted on the company shareholders but disregarded corporate responsibility to the insurance industry and society as a whole. According to a report by the Australian Treasury[1], HIH caused personal, physical and emotional suffering among the members of the Australian community: HIH employees, insurance policy holders, shareholders, illness and disability claimants, accident victims insured with the HIH, professional service providers and even the Australian Rugby Union. Insurance market price was also affected via increased premiums that also precipitated a decline in the equity market globally and returns enjoyed by insurers. Reforms were instituted to tighten the rein on corporate governance practices, which included the enactment of Australia's Corporate Law Economic Reform Program Act of 2004, Mees and Smith (2019) *inter alia*.

Germany

The report of Buchanan *et al.* identified Germany, along with the USA, the UK and Japan, as the countries with the most robust legal protection mechanisms for corporate shareholders. However, Germany's corporate governance system was described as significantly different from those of the USA and UK, whose systems are largely comparable (Buchanan *et al.*, 2003, pp. 2-3). The defining features of Germany's governance mechanism are its model of a long-term relationship, the fewest possible mechanisms for external control, shareholdings concentrated in financial institutions with the vital need for major firms to be represented on corporate boards, a two-chamber board structure consisting of supervisory and management functions and a less-powerful CEO than is seen in the Anglo-American model of corporate governance structure (Buchanan *et al.*, 2003, p. 4).

Research on corporate governance would be incomplete without looking into the Siemens corruption case, as it was Germany's greatest economic scandal. Moreover, by virtue of Siemen's listing in the New York Stock Exchange (NYSE) from the first quarter of the new millennium, the beleaguered German corporation was also deemed liable at the time under the US corruption laws, particularly the Sarbanes-Oxley legislation. It is in the German model of corporate governance that the term "compliance" manifests almost the same meaning as "corporate governance". Primbs and Wang state that the two terms are congruent and differ only according to the viewpoint of the interpreter. Regulators see it as corporate governance, whereas the companies concerned see it as compliance. However, as discrete terms, corporate governance and compliance are largely interchangeable. Compliance is a significant element of corporate governance, and it takes good corporate governance to achieve compliance (Primbs and Wang, 2016).

From the literature, it becomes apparent that compliance in the German model is bound by different rules. Compliance for an organization was in fact predicated on company law until about the first decade of this century. This indicates that around the period of the Siemens scandal, there was no express mandate to put compliance in place for any corporation. However, a cursory look of various laws, including the Administrative Offenses Act, the German Banking Law, the German Corporate Governance Code, the German Securities Act, the German Stock Corporation Act and even the Sarbanes-Oxley Act, by virtue of Siemen's participation in the NYSE, shows an implied legal obligation (Primbs and Wang, 2016, pp. 7-10). Primbs and Wang's view was that without any express statement of "legal obligation to establish a compliance organisation for all corporations, this obligation can be derived [. . .] by way of analogy". (Primbs and Wang, 2016, p. 10)

According to the 2002 amendment of the German Stock Corporation Act, otherwise known in Germany as *Aktiengesetz* (AktG), the insertion of Section 161 was meant to provide statutory backing for an annual (*jährlich*) declaration of compliance (*Entsprechenserlklvrung*) which is, in effect a statement of whether corporations have complied or will comply with recommendations by the Government's Corporate Governance Commission (GCGC) of the best practices of good governance in terms of transparency or comprehensibility. Non-compliant corporations should explain why compliance has not been or will not be made. The "comply or explain" report should also be made available to the shareholders of corporations. It should also be emphasized that as the insertion of Section 161 it has not been very clear what the corporate declaration of compliance will contain and what remains to be explained. It is, however, very clear that any untrue declarations made will have to be corrected within a reasonable period to remove inadvertent mistakes which otherwise might be regarded as criminally misleading and deceptive declarations (du Plessis *et al.*, 2017).

In a way, the German corporate culture during the Siemens scandal seems quite lax towards the bribery of foreign officials to secure public orders. Bribes made abroad used to be a tax-deductible item until about 1999 for bribes to public officials and until 2002 for bribes of business people (du Plessis *et al.*, 2017, p. 13; Berghoff, 2013). The technical accounting term for bribe money in Germany is "useful expenditures". Siemens' Power Generation (PG) division acquired contracts by using slush funds from an earlier merger and engaged in illicit competitive practices by means of bribe money. Meanwhile, personnel from the Siemens Communication (COM) division illegally transferred funds from the Siemens headquarters to sales agents in other countries. Another division, Automations and Drives (A&D), diverted funds from A&D, committed a breach of policy pertaining to representation and violated formal accounting standards (Klinkhammer, 2015).

Siemens has so far continued its operations and its compliance organization is nothing but exemplary. The corporation took it upon itself to structurally reorganize and investigate the corruption that beset it. Siemens also cooperated with the relevant German, American and other national authorities during the investigation. Employees were suspended, dismissed or fined depending on the gravity of their corruption. The size of Siemen's corporate board was also reduced and all its members replaced. Its compliance system was also entirely reoriented (Primbs and Wang, 2016, p. 11). Siemens' compliance efforts initially existed only on paper, with a "clearly stated anticorruption policy [but one which] did not prevent the company from getting involved in one of the largest corporate scandals in German business history" (Aßländer, 2017). Siemens eventually redeemed itself from its multi-billion euro blunders and paved the way for the compliance revolution in the early months of the new millennium (Berghoff, 2017). Meanwhile, Germany was among the strongest endorsers of meta-regulation in corporate governance.

The path towards meta-regulation

It is generally believed that regulation highlights two diametrically opposed concepts of governance: freedom and control. In one corner, the government, in its regulatory function, offers companies full discretionary leeway to act ethically or at least legally according to their interests. In the opposite corner, the government may opt to draw discretion away from corporate governance and pass regulations and/or impose sanctions aimed at aligning companies' interests with those of the wider society. Coglianese and Mendelson refer to the latter possibility as *command-and-control* market regulation. It is, however, reasonable to admit that the dichotomy between freely regulated markets and *command-and-control* markets does not necessarily represent the full range of options between absolute discretion and full control. In practice, the regulation of corporate governance comprises an intricate matrix of policies and pressures implemented by both governmental and non-governmental players. Regulation should, therefore, mould the behaviour of the corporate to intuitively address problems and prevent market failures (Coglianese and Mendelson, 2010).

This section traces the path of corporate governance towards meta-regulation. Meta-regulation may be described as a "regulatory approach that empowers and enhances the capacity of corporations to self-regulate, but connects *the private justice of the internal management system* to the *public justice of accountability*" (Chiu, 2015). There is, however, one issue that may complicate the discussion – the absence of a universally accepted definition or distinction between self-regulation (SELF) and meta-regulation (META) (Coglianese and Mendelson, 2010, p. 147). Some past definitions are presented side-by-side below. The definitions are provided verbatim, and together justify the view that no one definition of self-regulation is completely satisfactory (Coglianese and Mendelson, 2010):

The varied definitions of SELF and META, the inadequacy of the various definitions of SELF, and the vagueness in the distinctions between SELF and META were thought to be indications that SELF was slowly but steadily improving and developing into META. If one cannot be succinctly differentiated from the other, it is not far-fetched to assert that these two must be in some way related. After a series of corporate scandals and failures in various countries, it appears that corporate governance (GOV) and CSR are on their way to a creeping but focused convergence. This section also documents and discusses the conditions that facilitate the evolving synergy between GOV and CSR, grounded in the globally observed development of SELF to META.

The literature shows an increasing intersection between GOV and CSR largely because managers generally viewed GOV as an essential support for a sustainable CSR, which in turn is as adjunct for creating value among various stakeholders. In addition, GOV and CSR produce mutually reinforcing effects from each other. This trend in the literature is evident among both public- and private-sector organizations (Tuan, 2012). As observed in Gill, the perception of GOV reflected some form of thought revolution in the sociological-legal framework of business corporations. From the fundamental primacy of investor interests as targets for business excellence, the issues that surfaced from the scandals in the decades of the late twentieth and the early twenty-first centuries drove the discussion towards the light of public policy and the society as a whole (Gill, 2008, pp. 546-547).

It is not enough for business to strive merely for profit, because this orientation was never immune from breaches in ethics, such as accounting tricks, fraudulent business activities and bribery. After Enron, WorldCom, Polly Peck, HIH, One-Tel, Siemens, *inter alia*, legislators and businesses urged reform. Through governance mechanisms, corporations collaborated with the regulators to prime GOV as a bastion of "business due process" by virtue of decisions backed up by staunch internal monitoring and the key directive being aimed at investor protection. Good corporate governance post-ENRON *et al.* began to reflect ethical behaviour through the mechanisms of accountability, disclosure and transparency. In addition, value-maximization has been achieved via responsible management characterized by care, fairness and trustworthiness (Gill, 2008, pp. 546-548).

Self-regulation, as described by van Koten, is undertaken by a non-governmental organization in an industry or a sector within an industry, generally referred to as a self-regulatory organization (SRO). Organizations of this kind are owned and operated by the member-corporations and are vested with the authority to develop and implement the industry's policies and standards. SROs have been established in various countries for all market sectors and industries, for instance in education, energy, health care and the not-for-profit sector. A number of professions (i.e. accounting, financial and legal) have also voluntarily set up SROs to regulate their practice. In the US securities industry, the Financial Industry Regulatory Authority is an SRO. In other countries, examples of the SRO are the Russian Association of Stock Market Participants and the Donors Forum in Europe for not-for-profit organizations (Van Koten, 2019). Meanwhile, the Institute of Nuclear Power Operations based in Atlanta, GA strives to guarantee excellence in the operation of commercial nuclear power plants while performing its corporate responsibilities and simultaneously attaining the strategic goals of the USA with regard to the international nuclear industry (Van Koten, 2019; Institute of Nuclear Power Operations, 2017).

Not to be confused with the concept of the SRO is that of the compliance organization in Germany, as voluntarily introduced in 1994 by the Deutsche Bank even before the applicable law was enacted. The compliance organization, as stipulated in the Second Financial Market Enhancement Law under the amendments to two prior German laws that created the so-called Stock Exchange police, is contained in paragraphs 33.2 and 32.3. These paragraphs present the legal underpinnings of compliance in Germany, which was aimed, first and foremost, at attracting foreign investors and enhancing the competitiveness of businesses (Schuster, 2016). Compliance organizations in Germany are a form of micro-level self-regulation.

Compliance organizations, as mandated by German law, are set up in every organization, particularly banks and financial organizations. These all designated a *compliance officer*, tasked with managing their firm's compliance-relevant data, otherwise called *insider information*, primarily relating to capital measures or orders which influence exchange rates. While the proper term according to the law is "compliance organization", some corporations set up a compliance department overseen by a compliance officer, usually with support staff:

> The policy mix of a compliance organisation contains [. . .] the degree of compliance rules, information, enlightenment and training of employees, giving advice to employees and managers, the permanent monitoring of the flow of information and the degree of business bans [. . .] the sanctioning of violations of the compliance rules and regulations. The Compliance Department also has the duty of storage and recording of relevant material (Schuster, 2016, p. 298).

Lessons from the Siemens and MAN bribery scandals prompted many German companies to implement compliance programmes. Among the standard mechanisms of compliance, in addition to the designation of compliance officers and/or committees, are helplines and guidelines on hospitality, etc. Likewise, relevant laws were passed to reinforce the framework of legal compliance. Accordingly, many authorities, including antitrust agencies and public prosecutors, intensified their efforts to investigate corporate compliance. With these developments, compliance organizations have become a staple in German companies; these organizations very powerfully raise the compliance rates in small companies. Nevertheless, the bigger companies still show room for improvement, as seen in more recent compliance cases and infringement practices that have captured media attention, such as the notorious truck Cartel (Block and Teicke, 2016; Petrasincu and Rigod, 2018).

Meanwhile, it is generally agreed that the regulatory investigations conducted by SROs are significantly cheaper than comparable investigations conducted by the government. A working paper by van Koten (2019, p. 1) argues that the usual practice in countries implementing self-regulation was to supplement the efforts of the SRO by government oversight. This in essence is meta-regulation, another term for co-regulation. Studies using theoretical models found the overall performance of SROs to be mixed. Some results also revealed that SROs can exploit he openings left by lax standards. They can also cover up violations when detected. Other SROs, however, were able hold out against the imperfections of the framework, meaning that oversight via meta-regulation is unnecessary. In other settings, the threat of possible additional investigations as a function of meta-regulation generates good results. The basic idea is that an SRO relies for "equilibrium" on high performance standards to do away with the higher costs related to government investigations. Theoretical research suggests that lighter forms of meta-regulation of SROs, such as verification and announcements in support of SRO policies, bring about "good regulation" (van Koten, 2019).

The seeming metamorphosis of self-regulation to meta-regulation makes brings the discussion focus on the way in which corporate governance sets up its mechanisms of internal control for regulatory compliance. In this respect, it is important to consider that corporate leaders should make their strategic decisions, including CSR approaches, within the internal control mechanisms set up by firm-level governance. Corporate governance, therefore, lays the groundwork for leadership responsibility and accountability on both shareholders and other stakeholders (Filatotchev and Nakajima, 2014, p. 289).

Thus, there is an evolving interconnection not only between self-regulation and meta-regulation but also incipiently between corporate governance and CSR. Filatotchev and Nakajima (2014, p. 290), describing the relationship between corporate governance and CSR, wisely observe: "If CSR is about ways to develop a constructive relationship between business and society, then governance structures and systems present themselves as a natural focal point for CSR research". The ensuing research shows self-regulation converging towards meta-regulation, with CSR at the core.

The introduction to this paper discussed incongruities in the corporate entity over the matter of agency. In lieu of the traditional notion of moral agency theory, the stakeholder model offers congruent grounding to corporate governance. Socially irresponsible or unethical corporate activities are perceived to increase expenses, diminish shareholder value and tarnish business reputations. In contrast, socially responsible corporate practices contribute to positive attitudes to the company and contribute to the creation of competitive advantage. The important role of corporate governance in the improvement of CSR was highlighted in, for example, brand reinforcing through goodwill building, the increase of intangible assets and the overall improvement of business image (Nikolić and Zlatanović, 2018).

Viewed from the perspective of the above statement, CSR also traces a path that converges with corporate governance, as illuminated by what researchers consider the dual internal and external dimensions of CSR. Internally, CSR is charged with conscientiously assessing the business agenda of the corporation and balancing the items against due diligence to its corporate responsibility to its internal stakeholders, primarily shareholders, the board and its employees. Meanwhile, the external dimension applies to other stakeholders and covers the wider environmental context. Thus, the basic link between corporate governance and CSR is "responsible practice". Responsible governance practices influence CSR and conversely, ethically implemented CSR influences governance (Nikolić and Zlatanović, 2018, pp. 38-39).

However, although the interdependence of corporate governance and CSR is clear in the literature, Professor de Graaf's view that the internal dimension of CSR "makes it possible to explain why the concept [of governance] will always be user-defined" carries considerable weight. He continues that it "is normative and thus political by nature and is and should be difficult to measure". Ironically, it is this internal dimension, the governance perspective, that makes clearer the interplay between corporate values and stakeholder values (De Graaf, 2016). Furthermore, this interrelatedness explains the increasingly apparent interdependence between corporate governance and CSR.

The governance perspective of CSR also sheds light on the way that corporations harmonize what appear to be innate and incongruent moral frameworks and administrative philosophies, which represent the competing interests in firms. Professor de Graaf posits that "competing views meet in the socio-political construction of CSR, which leads to changes in the societal and corporate structures". How corporate governance responds to these competing views is instituted in the system and structures of governance. Owing to differences in governance structure, business priorities, contextual factors, etc., CSR is said to be under-defined when it comes to accommodating these differences. More particularly, CSR has to be user-defined "so that every stakeholder can take its own responsibility, given its [i.e. the stakeholder's] position (De Graaf, 2016, p. 368).

In the above user-defined structures, an individual in a corporation cannot always foster socially responsible policies in it. It has, therefore, become important to integrate "governance and management with an enterprise and its environment" (Primec and Belak, 2018). In this respect, some sectors or industries seem to regulate themselves well, given the various factors and circumstances that affect their operations. In this context, self-regulation is a system whereby the target-corporation, target-sector or target-industry of the regulation implements policies for or commands itself. There is, therefore, a close relationship between the regulator and the target (Coglianese and Mendelson, 2010, p. 150). However, not all circumstances and factors in corporate regulation call for the same approach.

Just as CSR is under-defined to adapt to issues and problems in practice, corporate regulation is not a one-size-fits-all task. Sometimes organizational distance from the regulation of a government agency works better. This is why corporate regulation evolved from self-regulation to meta-regulation when both regulators and targets perceived the need for better approaches to setting up the goals and objectives of regulatory oversight. A case in point would be the acknowledged difficulty of deciding ethically at the "frontline of day-to-day business operations", compared to the ease with which such decisions can be made theoretically on paper, for instance when educating and training future bankers (Thurner, 2014).

On one extreme of corporate decision-making are rulebooks, guidebooks or policy regulations which may be out-dated or typically incomplete: at the other extreme is personal ethical judgment, which is neither clearly defined nor standardized for the decision maker and the situation. In such uncertainties, the trend in what constitutes "good" business decisions appears to favour meta-regulation. This describes a regulatory context, where a blend of industry self-regulation is balanced by impartial and assiduous government regulation (Thurner, 2014).

Meta-regulation "enhances the capacity of firms and industries to self-regulate, via connecting the private justice of internal management systems with the public justice of accountability". Meta-regulation directs the targets of regulation to ensure accountability by crafting their own self-regulatory responses to both their business issues and those of the public. This is accomplished via a range of mechanisms from those that encourage through rewards and those that threaten through sanctions (Thurner, 2014). The basic premise, therefore, that steers firms towards meta-regulation is a felt and experienced need for reform in regulation that is rigid enough to instil responsibility among the corporate actors, but still adaptable to the many options between absolute regulatory discretion by the target corporation(s) and full control by the regulator. In the preceding premise, the regulator may be a single authority or a well-functioning group of authorities and social actors.

As an example, the UK banking industry is doing well under meta-regulation. In the course of the regulatory process, UK banks and financial institutions acknowledge that government regulators face uncertainty. But these regulators do not have to deal with uncertainty through fixed policies and guidelines. Thus, meta-regulation is the most reasonable approach. The UK banking industry collaborates with the former Banking Standards Review Council (BSRC), afterwards renamed the Banking Standards Board (BSB) (2019), and government regulators have so far been able to apply the flexibility of the set-up to benefit the industry. The government regulator's close coordination with the banking industry and with the BSRC/BSB has paved the way for a wider adoption of ethical and moral values. In such a flexible environment, firms have leeway to implement the experimental and learning-based approaches that best suit their extended interests (i.e. those of business and stakeholders as a whole) by exploiting the dual dimensions of CSR (Thurner, 2014, p. 25).

Meanwhile, the regulators implement the BSRC-set standards, not to avoid traditional consequences, such as punishment for those who have missed the standards, but rather through the application of the soft power of benchmarking. Thus, failures to meet their self-developed ethical/moral goals and objectives are not met with regulatory sanctions, but with a lower ranking in the BSRC benchmarking. In effect, banking institutions strive to stay within the upper echelons of the benchmarking or deal with reputational risks (Thurner, 2014).

At present, the BSB, which first functioned in 2015, is a private organization which exists via the membership subscription of banks and now building societies that operate in the UK. BSB is neither a corporate regulator nor a trade association and possesses no statutory powers. BSB does not represent banks and building societies, and it may not lobby for or on behalf of its members. Its tasks include support for and unbiased evaluation of the industry, as well as industry-based enquiries with the purpose of further rebuilding and enhancing its reputation. At times, BSB may challenge firms or the industry in general, to elevate standards of practice (Banking Standards Board (BSB), 2019).

Conclusion: challenges, implications and future direction

While meta-regulation has so far worked in many countries, caution is expressed over the perils of over-reliance on a meta-regulatory approach. Industries or market sectors should also attempt to operate from the start within the confines of self-regulation and government regulation. In what Professor Julia Black termed the paradox of principle-based regulation, he warned about total reliance on meta-regulation (Thurner, 2014, p. 25). In other words, market sectors and industries need to find the framework of regulation that is best suited to their operations.

Challenges

If, indeed, meta-regulation works optimally in specific industries or market sectors, caveats should be welcome, because its primary strength is flexibility. Black advises temperance in wringing the last drop of flexibility until a stage of seemingly utopian version of mutuality, responsibility and trust is reached. Another possible challenge to meta-regulation is that compliance systems designed by the corporations themselves are often moulded parallel to the central activities of meta-regulation (Thurner, 2014). This may not necessarily be balanced by a full range of dual dimensions of CSR. It is, therefore, necessary to have a half-way house between self-regulation and government regulation; otherwise, the social actors that represent the regulatory triumvirate are left in the midst of the issues confronting the industry. The main concern here is that self-regulatory bodies may be funded by corporations, as they would not bite the hand that feeds them.

Implications

A book on regulatory theory describes meta-regulation as a "set of institutions and processes that embed regulatory review mechanisms into the every-day routines of governmental policy-making" (Grabosky, 2017). This definition, as well as the rest of the definitions of meta-regulation offered in the previous section, implies a shift in *regulatory pluralism*. This pluralism rests on the concept of *legal pluralism*, which recognizes that "the law exists alongside a variety of lesser normative designs". Such is the practical sense of *legal reality*, which is never unitary or monolithic, but often a random patched-up collection of incongruities and overlays (Grabosky, 2017, p. 151).

Another implication of the path to increased adoption of meta-regulation is its social logic, which presents an acceptable framework for *non-judicial legality* (Morgan, 2003). The series of corruption and fraud cases that rocked business on a global scale precipitated the trend to accepting increased political legalization and away from increased dependence on non-judicial instruments of accountability. The world thus began to recognize the economization of regulatory politics (Morgan, 2003). However, it cannot be denied that, with meta-regulation, those with less of a grasp of regulatory theory cannot so easily weigh their regulatory options. While the world has not yet reached the critical mass that should alert corporations to their over-reliance on meta-regulation, the literature and observations of practice warn that this over-dependence is imminent. Therefore, to the world's practitioners, academicians and researchers, the discussion topic inescapably implies *Quo vadis*?

Future directions

As the title of this paper suggests, corporate regulation is where meta-regulation meets CSR. If the forum is left to bureaucrats who have succeeded at politicizing the economy, the welfare of the wider society, always threatened by human need, vulnerability and harm, has been paraphrased in the language of market failures or distortions. While there is nothing wrong *per se* with halting the government monopoly on corporate monitoring, regulation had descended to a complex fragmentation of existing regulatory systems (Morgan, 2003). At this stage of a post-regulatory regime, Thurner (2014, p. 25) meta-regulation had become popular and gained acceptance at the expense of the goals of CSR.

Corporate regulation, to contribute to the goals and noble aspirations of CSR, should recalibrate its methods of nurturing a *symbiosis of government regulation and self-regulation* where ethics is embedded in all the corporate system structures and mechanisms, not through the fragmentation of regulatory systems. Rather, integrated symbiosis occurs where the unifying component is ethical practice through a synthesis

Self-regulation	Meta-regulation
Sinclair: "a form of regulation that [relies] substantially on the goodwill and cooperation of individual firms for their compliance" Coglianese and Mendelson (2010)	*Gill*: "set of mechanisms . . . characterised by three major features, [which are] pursued by external actors to monitor self-regulation by looking at it from the outside" Gill (2008, p. 469)
Freeman (referring to voluntary self-regulation): "the process by which standard setting bodies . . . operate independently of and parallel to government regulation, with respect to which government yields none of its own authority to set and implement standards" Coglianese and Mendelson (2010, p. 147)	*Parker*: "a process of regulating the regulators, whether they be public agencies, private corporate self-regulators or third-party gatekeepers" . . . *Parker and Braithwaite* (referring to institutional meta-regulation); the regulation of one institution by another' Coglianese and Mendelson (2010)
Gill: "mechanisms adopted by companies and financial institutions to govern their internal policies" Gill (2008, p. 469)	*Hutter*: the "state's oversight of self-regulatory mechanisms . . . *Others* (not specified in the citation): "interactions between different regulatory actors or levels of regulation" Coglianese and Mendelson (2010, p. 147)
Lord: refers not only to "rigid and formal models of industry regulation, but also to more expansive conceptions of a variety of . . . mechanisms with little or no state intervention and formality" Lord (2016)	*Morgan*: "captures a desire to think reflexively about regulation, such that rather than regulating social and individual action directly, the process of regulation itself becomes regulated" Coglianese and Mendelson (2010, p. 147)

Table I. The varied definitions of SELF and META

of clear, firm laws to strengthen the policy framework and its pliable linkage to the morally-empowered soft benchmarks of compliance. The halfway house in this symbiosis is not an institution, but a corporate culture with the norm of the highest standards of ethics in the dual dimensions of CSR. Indeed, corporate governance is at the crossroads of meta-regulation and social responsibility. Meta-regulation is an indispensable catalyst on the way to the crossroads. Eventually, however, corporate governance must turn to ethics to fulfil its social responsibility to both business and society. This suggests a fertile and virgin area for empirical research as long as the CSR variable is cleverly operationalized.

Note

1. The Treasury-Australian Government, Aftermath of the HIH Collapse, (Canberra, 2015), https://treasury.gov.au/publication/economic-roundup-issue-1-2015/economic-roundup-issue-1/the-hih-claims-support-scheme/3-aftermath-of-the-hih-collapse

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