

Call for Papers
Corporate Governance: An International Review
Special Issue on

“Corporate Governance Mechanisms in light of the COVID-19 Crisis: How Financial Information and Regulation, Managerial Decision-Making, and Policy Intervention Can Shape the Economic Recovery”

Submission Deadline: August 1, 2021

Guest Editors

Amedeo Pugliese, Universitat Pompeu Fabra, Spain & University of Padua, Italy
Massimiliano Bonacchi, Free University of Bozen-Bolzano, Italy
Christine Botosan, Financial Accounting Standard Board, USA
Dhananjay Nanda, University of Miami, USA

BACKGROUND

The Covid-19 global pandemic has been extraordinarily disruptive with dramatic health-related effects in terms of the death toll, number of affected patients and worldwide negative economic consequences including significant job losses, corporate bankruptcies, and a global recession of about 3% of the GDP (IMF, 2020). Although prolonged halts to companies' production facilities surely threaten their ability to survive, the severity of the loss companies face due to the disruption to their activities is not yet fully understood. There is little doubt that in the aftermath of the crisis, however, many companies and organizations will be the 'patients' to be treated. Whether the relief mechanisms implemented by governments worldwide and companies' responses will be effective is currently unknown. The magnitude of the public health and economic consequences at stake and the related uncertainty shall call many researchers to action.

Visible signs of the downturn will feature in the financial statements of entities worldwide – private and public, large and small, for-profit and not-for-profit or governmental. The revenue shortfalls will severely depress net income and book value of equity and create pressure for short-term liquidity. In addition, current accounting standards may lead to subjective non-cash charges due to impairments of goodwill, inventory, and other assets and remeasurement of items measured at fair value, thus further decreasing net income and equity. Decreases in equity below a certain threshold will trigger debt-covenants violations, and in some countries, shall impose a bankruptcy filing. Investors' ability to assess future cash flows and entity value and auditors' ability to monitor reported amounts are challenged in this environment. The ongoing uncertainty is spurring different behaviors and responses by various economic actors. Therefore, we see the following questions as being particularly relevant and timely from an empirical standpoint:

1. What are the managerial (and workers-related) implications in terms of compensation, incentives, and (mis-)alignment with other corporate and social stakeholders?
2. How do organizations respond in terms of capital structure, investments and accounting policies (e.g., in the financial industry some banks are increasing provisioning of future losses whereas others are recording all-time high profit)?
3. How do policy makers like securities regulators (e.g., SEC), accounting standard setting bodies (e.g., IASB, FASB), national governments and supra-national entities (e.g., European Banking Authority) enact, suspend and review policies and rules to safeguard the economic systems without generating too much moral hazard and ineffective public spending?
4. How is the balance of power among governments, regulators, standard setters, and the various stakeholders (preparers, auditors, and users) impacted and what are the effects of shifts in that balance on financial reporting and the decision-usefulness of the information?
5. What is the role of ESG strategies in responding to the COVID-19? How do corporations balance purpose and profits during the crisis? Which responsible best practices in these unprecedented times are value creating? How have stock markets reacted to the way companies deal with trade-off?
6. Has the disclosure of risk factors changed in the post-COVID-19? How do these changes manifest? And how do various stakeholders use them? Are firms more responsive to tail-risk post-crisis and is this reflected in disclosures?

Since *Corporate Governance: An International Review (CGIR)* is a leading journal devoted to the study of corporate governance mechanisms, defined broadly to include topics related to the exercise of power and control over corporate entities, the role and effectiveness of accountability mechanisms (e.g., financial information, auditing, analysts, managerial compensation, boards of directors), the devise of laws, regulations and interventions to safeguard multiple stakeholders, our intention is to help foster research and theory development through empirical analysis, relevant to managing the aftermath of the health crisis and natural events more broadly. This will ensure that we learn lessons from the crisis so that the responses of policy makers (e.g., standard setters, governments and central banks), organizations and managers, as well as other actors within the business arenas (e.g., auditors, equity investors, analysts, debt-holders) will be more prompt in interpreting and reacting effectively when future crises occur.

CGIR will take on this challenge by providing a Special Issue as a venue for articles related to the responses of managers, organizations and policy-makers during and after the crisis. Consistent with the purpose and scope of the journal, this Special Issue will be open to multiple and diverse scholarly approaches to strengthen our knowledge on the economic consequences of crises and the most effective responses in terms of: (a) geographical areas, industry and institutional contexts; (b) levels of analysis,

from micro (e.g., managerial) to mid-range (e.g., organizational) and meta-level (e.g., countries or regions), and (c) empirical approaches and settings (public and private, large and small, for-profit and not-for-profit). For example, we welcome research on how internal and external stakeholders react to the crisis: Do managerial compensation schemes change? Do investors revisit dividend policies and expected returns? How do auditors and analysts deal with uncertainty triggered by the lack of fully functional markets in assessing company performance and solvency? Do accounting standard setting bodies revisit (or not) the application or suspension of certain standards (e.g., impairment test or fair value accounting)? Did government suspend the application of accounting rules or delayed the contracting implications of 'likely' failed corporations?

In spite of a long history in terms of economic crises, its exogenous nature makes it different from the two most recent cases of financial turmoil (e.g., GFC and sovereign debt) and mimics the economic consequences of other natural disasters like earthquakes, floods or health crises, wars, refugee crises, political revolutions, terrorism, economic depressions and other unexpected events. Learning from the recent experience could be transferable to other settings. This Special Issue encourages empirical research and theorizing dealing with COVID-19 pandemic crisis that had harsh and unexpected human and economic consequences, thus calling for economic responses from individuals, organizations, and governments.

In sum, *CGIR* is issuing a call for papers that deal with how the responses of managers, organizations and policy makers have been shaped by, and/or affected, the role of financial information and information intermediaries in the aftermath of catastrophic events. Such challenge is in line with the editorial scope and mission of *CGIR*: its reputation for quality scholarship and openness to new ideas, methodological approaches and theoretical pluralism make it an ideal outlet for cutting edge research on these timely and important topics.

TYPES OF SUBMISSIONS SOLICITED

Given the nature of the topic area, this Special Issue is seeking contributions that deal with the responses of various actors to catastrophic events, particularly the COVID-19 pandemic. We are open to a wide range of studies in terms of the level of analysis: we welcome manuscripts that focus on individual, organizations, policy-makers or other institutions. The only requirement is that the activities studied have an explicit link with the governance role of accounting and financial information in crisis situations.

In terms of the type of study, we welcome empirical studies at any level of analysis. We particularly encourage cross-countries (or cross-regions) and comparative studies that can exploit the differential severity of the health crisis (e.g., longer or shorter halts to production and people mobility), as well as differential strength and timeliness of government responses. *CGIR* will prefer studies with a strong theoretical foundation. However, given the novelty of the topic and the urgency to learn from the current crisis, we will reward studies with clear (practical) implications of the research. For this reason, we particularly welcome pre-registered reports – following the guidelines of the Open Science Foundations (<https://osf.io/>) – that may entail an ex-post execution of the empirical research.

Scope and sub-themes to be addressed in the Special Issue include:

- Auditing practice in responding to uncertainty in assessing financial statements;
- Effects of state intervention in corporations' equity;
- The effects of different relief mechanisms designed in various countries;
- The role of Accounting Standard Setters;
- Managerial compensation and rewards;
- Law & bankruptcy;
- Performance management: organizational cost structure, flexibility and operational re-structuring;
- The role of ESG and CSR in replenishing corporate profitability for the long term;
- Investors, financial analysts and equity valuation: responses to changes in financial information;
- Accounting for risk and returns;
- The role of financial statements as contracting devices: debtholders, employees, taxation offices.

TIMELINE AND SUBMISSION PROCESS

The deadline for submissions of full papers is August 1, 2021. Late submissions will not be accepted. All submissions must be uploaded to the Manuscript Central/Scholar One website (<https://mc.manuscriptcentral.com/cgir>) and indicate that the manuscript is intended for this Special Issue. The *CGIR* Author Guidelines must be followed. Submissions that do not adhere to the contributor guidelines will be returned to the authors. Papers will be subject to the *CGIR* standard double-blind reviewing process.

There will be a Paper Development Workshop at the 4th Accounting Summer Camp hosted online by the University of Padua on July 8-9, 2021. Authors are encouraged to submit either (1) an extended abstract (10 pages, references excluded) or (b) a full paper for consideration at this workshop. Submissions to the workshop can be made by e-mail (to: amedeo.puigliese@unipd.it) between February 1 and May 1, 2021. The most promising proposals will be selected for presentation at the workshop. Participation in the workshop is recommended but not required for submission to the Special Issue. Please note that acceptance to the workshop does not necessarily guarantee acceptance to the *CGIR* Special Issue.

The following criteria will be important in the evaluation of submitted proposals:

1. Theoretical relevance to corporate governance: A special interest will be placed towards articles tackling issues related to the role of accounting and financial information; the submitted manuscript deals with a topic that is likely to provide profound conceptual insights concerning the responses of managers, organizations and policy makers to crises or catastrophic events.
2. Contribution to practice: The study is likely to offer significant insights in how to deal with health or natural crises that are exogenous to the economic system.

3. Methodological rigor: The design and execution of the study are such as to give the reader a high level of confidence that the results are valid and generalizable. We very much welcome papers relying on open science foundations (e.g., pre-registration reports, open data, etc.). In the latter case, the authors should offer an explicit timeline of study completion (if the study is not yet completed) which they judge as feasible and realistic.

For questions about the content of this Special Issue, please contact Amedeo Pugliese (amedeo.pugliese@unipd.it).