



**Editor**  
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# **Corporate Governance in Knowledge-Based Society**

by  
**Professor Dr. Carmen Giorgia Bonaci**  
&  
**Professor Dr. Jiří Strouhal**

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## Preface

Since the beginning of the millennium, the scientific community seems to make significant reference to corporate governance, a concept that became even more attractive within the current global economic context emerging from the recent financial crisis. Being seen as an interface between companies and financial markets, corporate governance significantly impacts both the society in general and companies in particular, with potential beneficial consequences at both macroeconomic and microeconomic level. Corporate governance is expected to generate remedies for current economic problems by providing mechanisms that fight against injustice, fraud, lying and misleading, while stimulating long-term performance and value creation.

This book proposes an interdisciplinary approach to governance as imposed by nowadays knowledge based society through chapters covering general conceptual approaches and particularities of several European countries. Theoretical analysis and empirical methodology are combined in providing the necessary support in relation to each chapter's objective. Corporate governance entered the spotlight due to recent corporate crisis, but trade literature documents the use of correspondent concepts in writings dating a few centuries ago. The first chapter of the book therefore develops a synthesis of corporate governance historical evolutions and conceptual grounding. Organizational performance can be improved by developing an efficient framework for the company's management and control through corporate governance. Meanwhile, corporate governance efficiency depends upon the management being able and willing to lead a company towards achieving shareholders' and stakeholders' objectives. Performance management systems are crucial for a company's evolution. This further imposes the need for their adequate assessment that supports efficient implementation, as discussed in one of the chapters. The decision-making process being knowledge based bears special significance for managers in nowadays globalized economy. One of the chapters in the book focuses on the decision-making process within transnational companies as major players in the world economy, starting with a theoretical framework on decision and concluding with some thoughts on the subjective reasoning derived from considering knowledge as a human attribute. Insolvency is something managers hope they won't have to face, but the recent financial crisis turn the nightmare into reality for a significant number of companies. The chapter focusing on insolvency offers insights on the insolvency act from an economy characterized through an almost half of century disrupted continuity in transitioning from a centrally-planned to a market economy, that of the Czech Republic.

The financial reporting process being meant to provide useful information, and accounting information aiming for faithful representation, fits in very well with the concept of corporate governance and its principles. A significant number of the chapters in the book can be positioned in the area of financial reporting, offering different approaches and links to governance. Risk management and reporting business risks is an area that obviously fell short if we are to analyze practices leading the economy into the recent financial crisis. One of the chapters discusses risks in the context of corporate governance mechanisms, the theoretical approach of business and financial risks being followed by an empirical analysis of practices characterizing listed companies on another emerging European economy, namely the Romanian one. The following chapter briefly points out some particularities of risk management in the banking industry of the same country. When discussing governance of the financial reporting process in a globalized world, accounting standard setting in the international arena plays a major role. The chapter dedicated to this issue offers a synthesis of accounting harmonization research and provides an update on the International Accounting Standards Board (IASB) – Financial Accounting Standards (FASB) convergence project. The consequent chapters provide discussions of key aspects in the financial reporting process such as measurement, consolidated financial statements and the accounting profession. Measurement in financial reporting continues to remain a highly debated topic, which is understandable if we are only to consider its implications on financial performance representation. A detailed theoretical approach is therefore provided in one of the book's chapters. Considering the globalizing markets

and evolutions of international trade, business groups are becoming more important and relevant, and so is our understanding of their financial statements. One of the chapters develops an empirical analysis of market value relevance of consolidated and parent company accounting information for companies being listed on the largest stock markets in Europe (London, Paris, and Frankfurt). Environmental reporting requires ethical behavior which can be stimulated through corporate governance mechanisms. A chapter in the book develops an empirical analysis in this regard by considering European Union countries. The accounting professional is an extremely important factor in the financial reporting process, with accounting education significantly impacting accountants' development. Two chapters in the book approach accounting education, the first offering a general conceptual approach leading from accounting education to the accounting profession (including particularities of accounting certification in Nordic countries) and accountability, while the second discusses nowadays modern curricula in relation to current expectations coming from the business environment. The last chapter of the book continues analyzing the profession by developing a detailed study of professional judgment and the decision-making process when considering the particularities of external audit.

October, 2014

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