

Editorial

Dear Reader,

We proudly present the first issue of *Dovenschmidt Quarterly* (DQ).

The initiative to launch this review was taken more than a year ago. In the subsequent period the mission statement of DQ has been formulated and refined in discussions with eminent representatives of the various disciplines involved. DQ's advisory board was formed and now consists of prominent scholars and practitioners. In close consultation with the members of DQ's advisory board, the content of the first volumes of DQ has been determined and various authors were invited. As a result, DQ's first issue is now on your computer screen or in a printed form on your desk.

Dovenschmidt Quarterly is a review that aims to enlighten the mutual developments and relationships between far reaching transitions in society on the one hand and corporate life, corporate law including corporate governance on the other. By doing so, DQ aims to contribute, influence and co-set the agenda of the ongoing societal debate concerning actual, required and envisioned changes in corporate law, governance and corporate social responsibility.

In our opinion there is a strong need for such a new review, which connects the themes of Corporate Governance (CG) and its inevitable sidekick Corporate Social Responsibility (CSR). CG and CSR are inseparable in our view because a company and its management can be considered to live in a biotope and governance – taken as managing the company – results in company behaviour that has an impact on all other life forms within this biotope. However, at the same time this approach is perilous because CSR is hard to define and depends on time, place and nature of all involved. Depending on the extent to which management will allow itself to be influenced, a definition will partly determine the way of governance including the consequences for other life forms in its biotope, our society at large. The awareness of this influence should lead to what DQ would like to call Responsible Corporate Governance. This view pictures the corporation as embedded in society, influencing social activities and well-being of the other life forms, triggering reactions of these. While, at the same time, the corporation is influenced by other constituencies.

After the spectacular launch of the Credit Crunch, with the demise of Lehman Brothers in September 2008 as a visible starting point, awareness has pervaded society that the role of companies and the quality of governance have a great impact on the economy, and consequently on all life forms in the biotope. The opportunistic role of the managers, as agents of the equity partners, was placed on the case-list of the Courts of Public Opinion,

as was the passive attitude of stockholders, especially of the management of trusts and institutional investors, leading to the observation that the lack of responsible ownership was one of the major causes for the financial crisis. This notion forced us to think about responsible ownership, responsible investment and even responsible involvement of equity partners in stock-quoted companies. This awareness led to more involvement of governments in corporate life. It triggered reactions by NGOs, trade unions and ad hoc interest groups pressurizing changes in corporate policy. Moreover, it raised the attention of the scientific community at large, analyzing the force fields with growing interest in addition to the attention already paid to aspects of CSR since the 1960s. In short, there was and is a lot of activity at the governance front and there will be much more, especially in respect of the debate on how to cope with the actual economical and financial crisis that brought the US and Europe as well as other parts of the world in an economic downturn leading amongst other things to interesting shifts in the position of power on a global level.

So yes, we really need another governance-themed review. The theme seems pervasive in magazine land, but in our experience the approach for study is not only rather limited, but also has too little focus on the way in which several constituencies attempt to influence the corporate policy. At the same time the mutual relations between these constituencies are not studied at all. DQ wants to break this approach and rather see the corporation in a biotope or as a spider in the web of society. DQ will focus on corporate governance in relation to its role in society, as well as on the constituencies influencing governance. In this respect DQ will pay attention to the relations between those constituencies and their relation to the corporation. It is not just listing and studying the constituencies and their manner of influencing corporate governance, but also studying the constituencies themselves, and the way in which they influence each other. In other words, the coexistence of constituencies, each with their own interests and policies, leads to mutual influencing, which in its turn influences the position of these stakeholders in relation to the corporation.

Figure 1 shows some relevant constituencies pushing for transitions in corporate law and governance. The number of constituencies may be expanded and further refined. Think for instance of the various types of stockholders like institutional investors, rating agencies, proxy advisors, politics and legislation/regulation and their interrelations. Moreover, also external factors influence the constituencies' behaviour and consequent-

Figure 1 Some Relevant Factors Pushing for Transitions in Corporate Law and Governance



ly corporate policy. Such factors could appear in the form of natural disasters, nuclear disasters or catastrophes of a different kind, budget deficits, failing states, system banks, currency unions falling apart, nationalizations, emerging economies, the rise of commercial power in developing countries and intervening sovereign wealth funds.

DQ will publish papers with an analysis conducted from a variety of perspectives. The research areas in DQ's core are corporate law and corporate governance, corporate social responsibility, innovation, regulation, law and economics, finance, tax, accountability, corporate world and politics. These research areas are to be represented on top level in DQ's advisory board. To cover regional developments and in order to be accurately informed, correspondents in relevant legislations are appointed.

Clearly DQ's area of interest is broad but the articles published will have a clear focus and will have to lead to better insight into the forces impacting corporate policy and into the potential dangers threatening society. By doing so DQ will accommodate the debate on further improvement of corporate governance. This approach is challenging and will lead the reader to sweeping views on how to contribute to responsible corporate governance.

DQ's mission and goals are reflected in the four papers of this first issue with which we want to kick off the debate.

In the first paper, providing a macroeconomic perspective on the law and China's economic growth, the author, *Guangdong Xu*, argues in a thought-provoking manner that according to his analysis the economic growth in China might not be sustainable in the long run.

The second paper written by *Fabrizio Cafaggi and Andrea Renda* focuses on the important question whether CSR should be legally mandated or based on self-regulation. The authors come with an innovative approach and argue that a smart mix between private and public regulation can provide the proper incentives for the implementation of CSR.

DQ is also extremely proud that one of the founding fathers of the triple P bottom-line-approach is in our midst in this first issue: *John Elkington*. He is the author of the third paper *Boosting our Future Quotient*, in which he shows the need for future oriented approaches and leadership to cope with the financial crisis and to speed up the process of CSR implementation. He also provides the dimensions of this FQ-approach which should be taken into account. In his words, FQ meets DQ!

The final contribution by *Egbert Dommerholt* adds to the important debate on how to measure CSR and sustainability performance more in particular. He shows that a multitude of definitions and descriptions of corporate sustainability performance is reflected in the different screening instruments developed and used by rating agencies. These instruments add to increased confusion and low degrees of compatibility.

We hope that your readings will be inspirational and you will embrace DQ!

The Editorial Board