



PROGRAM OVERVIEW

9.00am AEDT	<p>Symposium opening and welcome Opening by Dr Christo Karuna, ICVG Welcome by Professor Gary Magee, Deputy Dean (Research) Monash Business School</p>
9.15 – 10.00am	<p>Plenary presentation 1 – ‘Governance role of the audit industry and some implications’ Professor Stephen Taylor, University of Technology, Sydney</p>
10.00 – 10.45am	<p>Paper presentation 1 – ‘The Price of Integrity’ Professor Chen Chen, Monash Business School</p>
10.45 – 11.15am	<p>MORNING BREAK</p>
11.15am – 12.00pm	<p>Paper presentation 2 – ‘When Profit Is Not the Bottom Line: How alternative organisations work around a dominant public measure’ Dr Paul Thambar, Monash Business School</p>
12.00 – 12.45pm	<p>Paper presentation 3 – ‘Audit Quality: An analysis of Audit Partner Cultural Proximity to Client Executives’ Professor Cameron Truong, Monash Business School</p>
12.45 – 1.30pm	<p>LUNCH BREAK</p>
1.30 – 2.15pm	<p>Plenary presentation 2 – ‘Culture in the banking sector and causes of the Global Financial Crisis’ Professor Peter Swan, University of New South Wales</p>

2.15 – 3.00pm	Paper presentation 4 – ‘Index Investors, Securities Lending and Firm Corporate Governance’ Ms Leslie Haoyi Luo, University of Melbourne
3.00 – 3.30pm	AFTERNOON BREAK
3.30 – 5.00pm	Panel session – ‘How should culture and governance interact to minimise harmful behaviour and enhance performance in organisations?’ Panel chaired by Dr Christo Karuna, Monash Business School Panel members: Dr Jason Davies-Kildea (Social Policy Professional) Professor Nadia Massoud (University of Melbourne) Professor Paul Mather (La Trobe University) Mr Donald Speagle (Monash University) Professor Peter Swan (University of New South Wales) Professor Stephen Taylor (University of Technology, Sydney)
5.00 – 5.10pm	Closing of symposium

PAPER ABSTRACTS

Time: 10.00 – 10.45am AEDT
Presenter: Professor Chen Chen, Monash Business School
Title: *“The Price of Integrity”*
Authors: Chen Chen, Monash Business School
Ying Xia, Monash University, Monash Business School
Bohui Zhang, The Chinese University of Hong Kong, Shenzhen

Abstract:

This paper examines the effect of integrity culture on firms’ financing costs. Using different integrity measures at both firm and regional levels, we find that firms with a lower integrity level or firms located in regions lacking integrity have a higher bank loan spread and higher implied cost of equity. To address endogeneity, we adopt forced CEO turnovers due to personal indiscretions and Massachusetts’ Alimony Reform Law of 2011 as two exogenous shocks to firms’ integrity culture. We further identify accounting information quality and excessive risk taking as two channels through which integrity culture affects financing costs.



Time: 11.15 – 12.00pm AEDT
Presenter: Dr Paul Thambar, Monash Business School
Title: *“When Profit Is Not the Bottom Line: How alternative organisations work around a dominant public measure”*
Authors: Sarah Adams, Australian National University
Matthew Hall, Monash Business School
Yuval Millo, University of Warwick
Paul Thambar, Monash Business School

Abstract:

Profit is the quintessential organisational performance measure in the corporate world: it is the literal ‘bottom line’ of financial statements in for-profit organisations. Profit is commonly used to communicate organisational performance to outsiders, and is used extensively within firms. Due to its ubiquity in the common discourse about performance, and institutionalisation in financial statements, many organisations need to calculate and report profit figures, whether or not they regard profit as a suitable indicator of their performance or expression of their purpose. For example, member-owned cooperatives may seek profits so that they continue to exist and serve their members, but are not under obligation to maximise return to investors. This motivates us to examine the question of how such organisations actually treat profit. We investigate the organisational practices they develop and employ to calculate and communicate (internally and externally) profit figures, how they use these figures in the operation of the organisation, and the dynamics between profit and organisational identities. We base our examination on an extensive study of 12 alternative organisations (specifically, cooperatives and mutuals) during which we conducted 238 interviews, analysed 491 internal documents and undertook 30 multi-day field observations November 2017 and August 2019. Our findings show that two factors drive organizational responses to the treatment of profit—the relationship with stakeholders and the nature of the competitive environment. Our study shows that the taken-for-granted nature of profit as a public measure to evaluate purpose and performance is problematic and needs to be challenged and examined.

Time: 12.00 – 12.45pm AEDT
Presenter: Professor Cameron Truong, Monash Business School
Title: *“Audit Quality: An analysis of audit partner cultural proximity to client executives”*
Authors: Anh Viet Pham, Monash Business School
Hang Pham, Monash Business School
Cameron Truong, Monash Business School

Abstract:

We find that cultural proximity between auditors and CFOs is associated with audit quality. We use recent mandated PCAOB disclosures of engagement audit partners to construct cultural proximity between engagement audit partners and client executives. Building on an extensive literature on homophily in social connections, we hypothesize that when an engagement audit partner is culturally close to client executives, the accounting negotiation is more efficient, resulting in higher audit quality. Consistent with this prediction, we find that audited earnings are of higher quality when the engagement audit partner is culturally close to the CFO. We, however, do not find similar evidence when the engagement audit partner is culturally close to the CEO. Our findings are consistent across several alternative measures of audit quality and cultural proximity. These findings suggest that interpersonal factors from the auditor–client relationship are important for audit outcomes. Our study supports the PCAOB’s position that mandatory disclosures of engagement audit partner identity is helpful in understanding audit quality.



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Time: 2.15 – 3.00pm AEDT
Presenter: Leslie Haoyi Luo, University of Melbourne
Title: *'Index Investors, Securities Lending and Firm Corporate Governance'*
Author: Ms Leslie Haoyi Luo

Abstract:

In the investment environment, a widely espoused cultural norm of Index Funds is improving the governance of the firms in their investment portfolio (e.g. Appel, Gormley and Keim, 2019). However, the culture of Index Funds also includes practices, such as securities lending, to generate excess revenues (e.g., Evans, Ferreira and Porras Prado, 2017). As investors typically borrow shares to short sell a firm's stock, securities lending can undermine a firm's governance and value. This study investigates the securities lending activities of Index Funds and the governance implications. Using a sample of U.S. firms for 2002-2017, we find that securities lending has a negative impact on firm governance and firm value. Furthermore, this negative impact neutralizes the positive impact of Index Funds' long-term holdings on the firm. These findings address the importance of considering the securities lending activities of Index Funds when evaluating their governance impact.

For further information please visit:

monash.edu/business/events/the-icvg-symposium-on-culture-and-governance-20210223

