



Towards new perspectives in corporate governance : A literature review

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ABSTRACT

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Corporate governance, a multidisciplinary concept that concerns in the first place the relationship between the shareholders and the manager (separation of ownership and control) in a contractual approach of the agency theory to concern in second place other stakeholders known by the Stakeholders model. In the recent past, this concept has evolved to include other dimensions (cognitive and behavioral) to remedy the inefficiencies of the shareholder approach. This article is a documentary research that explores a range of theories related to a new non-contractual approach to the firm : the behavioral approach to corporate governance. The results show that, like agency costs, there are behavioral costs (internal and external) that are costs associated with behavioral errors due to cognitive or emotional imperfections.

Introduction:

For nearly half a century, governance, and more specifically : corporate governance, has been the subject of a growing number of studies historically linked to finance research (Charreaux et Schatt, 2005). As a rule of the managerial game, governance is a privileged object of study for management science researchers (Chatelin, 2009). Since Plato, the concept has evolved to initially concern only the relationship between managers and shareholders in a purely financial approach, and then the field of study of corporate governance has gradually broadened to include other stakeholders and cover other dimensions, particularly the cognitive and behavioral dimensions.

This increase in knowledge and skills has been significant, in particular, through the adoption by a growing number of companies of good governance standards and the benchmarking of the guiding principles set out by the OECD, which understands the concept of corporate

governance in its literature as being shareholder governance, partnership governance and also cognitive and behavioral governance. This plurality of approaches to corporate governance explains why it cannot be defined unanimously.

In practice, it is clear that the **Shareholders** model, which gives primacy to the shareholders, is preponderant. However, this model remains insufficient to explain certain non-financial aspects of the decision-making process. The founding theories of this model, which underlie the analysis of corporate governance, consider that the objectives of the manager are represented by the maximization of a utility function whose main argument is wealth (Charreaux,2015). In analyzing this perspective, we note that this approach places negligible importance on taking into account elements external to the conflicting relationships, such as the loss of managerial capital.

Thus, We can ask ourselves how we can integrate cognitive dimensions of corporate governance that are non-financial and non-contractual dimensions to explain the functioning of firms and the decision-making process ? The answers are to be found in a new approach that consists in developing corporate governance from a behavioral and cognitive perspective to overcome the inefficiencies of the disciplinary approach to governance. This article is a documentary research based on various articles from indexed databases (journals indexed at scopus and WOB) and specialist journals such as cairninfo. The selection of these articles was based on the most important and most cited authors in each approach to governance (shareholder, stakeholder and cognitive) in order to build a literature review that will serve as basis for the various theories of governance.

This article aimed at exploring a new approach to governance, namely the behavioral approach to corporate governance. This approach mobilizes not only theories in management sciences such as the behavioral theory of the firm, the theory of resources and competence, but also concepts from the fields of psychology or neuroscience. Thus, the behavioral approach to governance attempts to explain certain observed anomalies that the disciplinary approach based on paradigms such as expected utility and efficiency are unable to explain.

And it is in this sense that this article will first address the main foundations of the cognitive approach to governance as an incentive to the behavioral approach, which pays particular attention to elements such as cognitive biases. Secondly, it will analyze governance and its mechanisms from a behavioral perspective.

I- The cognitive approach to governance

As highlighted by the OECD survey (2013), venture capital and private equity provide new financing solutions for innovative start-ups with high growth potential mainly, but not exclusively, in high-tech sectors. Indeed, the development of these financing methods cannot be explained only by the disciplinary approach based on opportunism on the part of managers. We can also add that the partnership between Nissan and Renault can not exclusively be explained by financial considerations. Renault's presence in Nissan's capital cannot be understood and analyzed solely based on traditional financial criteria ; it can be explained, at least in part, by Renault's cognitive contribution in terms of vision and skills, which goes far beyond the financial role of the shareholder (Charreaux, 2002).

The exclusively financial perspective of the role of shareholders can only seem incomplete because of the phenomena commonly observed in the life of companies. To highlight the important role of the cognitive approach, we cite studies that have argued that the "quality of director independence" is not enough for value creation (Charreaux and Writz, 2007). Indeed, although the independence of board directors remains among the recommendations of good governance reports, the criterion of competence can be an indispensable asset. This focus on competence shows that the role of the governance body goes beyond the disciplinary approach, which is aimed at reducing agency costs, but also includes the cognitive dimension and the contribution of skills.

In reaction to the classical approach to governance, some researchers such as Charreaux (2011) and Wirtz (2006) have emphasized the essential role of managers in the value-creation process. This value is notably the product of the mobilization by managers of a set of cognitive capacities and know-how necessary for the development of learning and innovation. The cognitive

approach of the firm allows us to privilege the notion of knowledge to the detriment of purely financial information to understand the value-creation process. The foundations of cognitive theory, which consider the firm as a repertoire of knowledge, are opposed to contractual theories, which perceive the firm as a node of contract. Indeed, as Wirtz (2019) summarizes that : Unlike conflicts of interest, cognitive conflicts are not all value-destroying, insofar as constructive criticism can have a positive impact on the emergence of strategic projects, suggesting possible improvements, warning against potential dangers or even inducing certain innovations. Otherwise, the shareholder is above all a provider of cognitive resources (Charreaux,2002). In contrast to managerial agency costs, cognitive costs arise not from objective conflicts of interest between the manager and external shareholders, but from differences in their individual mental structures (Wirtz, 2006).

The study of the cognitive approach to organization is presented as an alternative approach that attempts to overcome the shortcomings of previous approaches. Indeed, a large part of microeconomics is based on the hypothesis of the rationality of economic agents. However, this hypothesis suffers from several weaknesses, namely imperfect and biased information and the limited rationality of agents. Among the theories that have contributed to this approach, we find the theory of the firm's behavior, resource-Based-View theory and Schumpeter's neo-evolutionary theory :

1-1. The theory of the firm's behavior :

Since the publication of R. Coase's influential article in 1937, many theories have emerged adopting a contractual and economic approach to the firm. It was not until 1963, following the groundbreaking work of Cyert and March, that a new, non-contractual approach to the firm was developed, known as *The behavioral approach to the firm*. The objective of this theory, according to Cyert and March, was

to observe in depth the processes by which firms make decisions, using these observations as the basis for a theory of decision-making.

The authors criticize standard theories that considered decisions to be made at the level of the manager alone. Corporate decisions are influenced by both internal and external forces. The modern company, as indicated by Cyert and March, is also an organization and a cooperative system (the notion of interaction). In this new model, the introduction of some aspects of psychology is appropriate.

According to Simon, the role of the researcher interested in decision-making is not to introduce a cognitive constraint into his microeconomic model that would be equivalent to a budgetary or technological constraint, nor to list all the perceptual, cognitive, or social biases that influence the agent. The focus should not be on the outcome of the individual deliberation, but rather on how the individual constructs and legitimizes his choice... To study the decision-making process of the firm, it is necessary to distinguish between different types of decisions, in this sense we refer to Herbert Simon (Nobel Prize in Economics : 1978). In his book *Administration and decision process*, translated into English from *Administrative Behavior*, (1947), SIMON distinguishes several decisions such as :

- The objectively rational decision is the result of a behavior aiming at maximizing the given values in a given situation ;
- The subjectively rational decision which maximizes the chances of achieving a given end according to the individual's actual knowledge ;
- A consciously rational decision is the result of a conscious process of adapting means to ends. It becomes intentionally rational if the adaptation is made deliberately ;

- A rational decision from the point of view of the organization, which serves the objectives of the organization ;
- A personally rational decision, which obeys the individual's purposes.

For other authors (R.H. Thaler, C.R. Sunstein, 2008), the choice of a decision is associated with freedom, which means "More freedom implies more choices" It is in this panoply of choices that people tend to move towards hasty decisions that are not always in their favor (for example ; *the sunk cost fallacy*). Remaining in a coalition approach of the firm, we recall the main contributions of CROZIER M. & FRIEDBERG E.1977, "*The actor and the system*", who consider the organization as a social construct and that the effect of the system can have results that are contrary to the will of the actors. As a result, to guarantee and ensure their objectives, actors tend to seek power. This notion is defined by our authors as a relationship and not an attribute and is linked to the relationship of exchange and negotiation. This power can emanate from :

- The possession of a skill or specialty
- The relationship between the organization and its environment
- The control of internal communication
- The use of organizational rules.

1-2. The resource-based view (RBV) :

The cognitive approach to governance is based mainly on the theory of resources and competence. Initiated by several authors such as Jay BARNEY, who supports the hypothesis that having a sustainable competitive advantage can only be achieved if the firm adopts a strategy that exploits its skills and internal strengths (BARNEY, 1991). We designate by resources of the firm, the whole of its assets, the capacities,

the organizational processes, the attributes of the company, the information, the knowledge, etc. We refer to the firm's resources as all its assets, capabilities, organizational processes, attributes of the firm, information, knowledge, etc., which enable it to design and implement strategies that improve its efficiency (Draft, 1983). In the language of traditional strategic analysis, the resources of a company are forces that the latter (company) can use to put and design their strategies (Learned, Christensen, Andrew, and Guth, 1969; Porter, 1981).

BARNEY.J (1991) emphasizes that the resources (valuable) of the company can be considered as source of sustainable competitive advantage only if, on the one hand, they have value and, on the other hand, if they allow the design and implementation of a strategy that improves its effectiveness and efficiency. A company can have a sustainable advantage if it can implement a value-creating strategy that is not implemented simultaneously by a large number of companies. Resource-based view theory (RBV) focuses on internal attributes and allows researchers to reframe the relationship between strategy and structure by analyzing the firm's structure as a valuable resource and source of competitive advantage.

RBV has served as the foundation of the field of strategic management. Recent work in RBV theory has attempted to analyze governance from a resource perspective. The result was to reconcile governance theories such as stakeholder theory with resource theory. Both theories have amply contributed to the literature on strategic management. RBV examined competitive advantage as the product of a unique strategic resource endowment at a time when practicing managers were unaware of the resource-based vision argument until the 1980s (Wernerfelt, 1995). On the other hand, Stakeholder theory has given a particular twist to strategy, emphasizing the establishment and maintenance of lasting

relationships with stakeholders as key to performance. Stakeholder theory can be used to clarify certain aspects not taken into account by resource theory, these aspects being : normativity, sustainability, people and cooperation (Freeman et al, 2021).

- **Normativity** : RBV theory needs to incorporate norms, values and ethics, whose meaning or normative theorizing not only helps companies to do the right thing, but also enables them to make better forecasts.
- **Sustainability** : The notion of sustainability is fundamental to the construction of resource theory (a sustainable competitive advantage). However, in terms of stakeholder theory, we understand sustainability as the establishment of lasting relationships with all the company's stakeholders.
- **People** : the idea is to see people not just as providers of resources (a means), but as the final end. People are not resources, but actors who contribute resources.
- **Cooperation** : The main objective of resource theory is to mobilize different resources in order to gain a sustainable competitive advantage and be competitive. The notion of competitiveness is challenged by stakeholder theory, which stresses the importance of cooperation and considers that one of the managerial objectives is to create a sustainable cooperative advantage.

1-3. Schumpeter's neo-evolutionary theory :

Evolutionary theory likens the firm to an organism that, to adapt to the demands of its environment, develops learning in the form of a set of organizational routines. Evolutionism refers to the change in the economy of an industry and is the result of a dual process of natural selection by the environment and "search" behavior by firms for new innovative solutions for managing their activities (Ibert, 2017).

Evolutionary economics was initiated by Schumpeter (1926) and later by Nelson and Winter (1982). The notion of evolution here is distinct from that in biology, in particular Darwinism. Schumpeter rejected the theories of DARWIN and MENDEL to explain novelty and discontinuity (Nelson RR, Winter SG. 1982). Schumpeter (1926), in his work *The Theory of Economic Evolution*, shows the existence of innovation, which he calls *the new combination*, and which does not appear in the static economy. This new combination is distinguished first and foremost by the fact that it is a new phenomenon that did not exist before, and generates discontinuity. Innovations are therefore the intrinsic economic and cultural driving forces in the capitalist system (Schumpeter, 1926/1977).

Nelson and Winter took up Schumpeter's ideas, calling them neo-Schumpeterians. In particular, their central work, "*An Evolutionary Theory of Economic Change*" (Nelson and Winter, 1982). These authors pioneered the model of economic development, emphasizing the function of innovation.

II. Behavioral governance :

The incorporation of the behavioral aspect into governance leads us first of all to summarize the theoretical works that seek to explain the behavior of managers, such as the theory of rooting and stewardship. The next step is to review the various behavioral biases in the cognitive sciences, followed by an exploration of the literature on behavioral economics. In other words, the aim is to build a theory of governance that goes beyond the disciplinary approach to governance based solely on notions such as information asymmetry and conflict of interest and proposes a behavioral vision of governance (Charreaux, 2005 and Marnet, 2008) that takes into account the existence of cognitive and emotional biases. It should also be pointed out that the introduction of the behavioral aspect to governance also implies reviewing and making certain

transformations to the governance schema: firstly, this transformation will affect the nature of the conflict (between shareholder and manager). The issue of conflict and information asymmetry is often linked to the manager's intentional (opportunistic) behavior, without taking into account that conflicts can also arise from errors of judgment or behavioral biases. Secondly, when it comes to managing these conflicts, disciplinary governance mechanisms aim to reduce executive discretion and protect shareholders' rights. These mechanisms must also prescribe measures to protect individuals against behavioral biases "*Behavioral Law and Economics*".

2-1. The rooting theory :

The pioneering work of Berle and Means (1932) on the separation of ownership and decision-making functions within firms has inspired many theories that seek, firstly, to explain the opportunistic behavior of managers and, secondly, to create mechanisms (Jensen and Meckling 1976, Fama 1980, Fama and Jensen 1983) capable of limiting their discretionary power, which runs counter to the interests of shareholders. It is in this context that entrenchment theory focuses on managerial opportunism and assumes that the control and incentive mechanisms proposed by agency theory are not always sufficient to compel managers to manage the firm following shareholders' interests.

The present theory falls within the framework of theories dealing with the owner/manager relationship, which assumes that actors develop strategies aimed at maintaining their status in the organization and ousting potential competitors. According to Shleifer and Vishny (1989), considered the founders of the rooting theory : managers seeking to maximize the value of their capital would not remain passive in the face of the various disciplinary mechanisms, they would thus seek to entrench themselves by making specific investments, or certain growth operations or investments in research and

development. (Charreaux & Desbrieres, 1997).

Managers' opportunistic behavior tends to increase their willingness to entrench themselves, which could harm the entity's performance, as pointed out by (Paquerot, 1996), who considers that entrenchment strategies entail monitoring costs associated with the systems put in place by shareholders to encourage managers to manage their interests.

Rooting theory takes several forms, as indicated by (Charreaux, 2015) :

- **Rooting and idiosyncratic investments** : attributed to the work of Shleifer and Vishny (1989), this form of entrenchment stipulates that managers reduce the risk of being replaced if they make investments that are specific to them. They, therefore, obtain higher remuneration in the form of salaries or non-monetary benefits and increase their decision-making latitude.
- **Rooting and information** : in this entrenchment model, managers use their informational advantages to their advantage. Through this manipulation of information, leaders seek to increase their discretionary latitude to appropriate the maximum rents while avoiding being replaced.
- **Rooting and control of resources** : This form of entrenchment is based on the principle that power is vested in those players who contribute an indispensable resource to the running of the organization, and who cannot easily be replaced.

2.2. Stewardship theory :

Complementing agency theory, stewardship theory holds that human nature is more altruistic than opportunistic (Donaldson & Davis, 1991). Stewardship theory revolves around the core assumption that individuals acting as stewards establish a harmonious

alignment between their own interests and those of their principals (Davis et al, 1997). Stewardship theorists highlight the significance of individuals forming an alliance with their organizations, which entails a moral commitment and establishes mutual accountability. This commitment binds both parties to collaborate towards a shared goal, without taking advantage of each other. In simpler terms, this implies a shared sense of responsibility that arises from an unwritten social agreement (Solomon, 1993). On a larger scale within organizations, this social agreement connects industries, companies, and economic systems as cohesive communities (Donaldson & Dunfee, 1999). On an individual and collective level, the social agreement signifies a commitment between an employee and the organization (Barnett & Schubert, 2002) to uphold a set of overarching values.

Unfortunately, both of stewardship theory and agency theory, focuses on how individual nature shapes managers' behaviors, but overlooks the influence of managers' social context (Knapp, et al, 2011).

2.3. Cognitive biases :

Charreaux (2009) points out that not all executive decisions that are detrimental to shareholders and other stakeholders are the result of voluntary behavior. The use of the concepts of cognitive bias has its origins in the development and birth of decision theories, which, despite their evolution over time, have set themselves the ultimate goal of explaining how individuals make decisions, and how to improve the process leading to them. These concepts are foreign to the disciplinary theory of governance, yet they can be the cause and source of significant loss, as in the case of an untimely investment decision due mainly to the manager's opportunistic bias.

Like inefficiency, the notion of behavioral bias is usually defined by reference to an "ideal" norm corresponding to the behavior

that would result from perfect, substantive rationality (Charreaux, 2005). A cognitive bias can be a deviation of logical, rational thinking from reality, leading to the same reality being processed and analyzed in a multitude of ways. A cognitive bias is an error in reasoning, but not all errors are biases. Kahneman's definition (D Kahneman and T Gilovich, 2002) is currently the most widely used : a bias is a systematic error in reasoning that stems from heuristics that simplify reality. Humans have common reasoning strategies (heuristics) that enable them to cope with their environment.

Greenfich (2005) distinguishes two types of bias represented in the following table 1 (page 7) :

Table 1 : The Types of Biases

The different types of bias		
	Individual biases	Collective biases
Cognitive biases	Anchoring, attention bias, attribution bias, beliefs, cognitive overload, framing bias, heuristics, representativeness, habit, etc.	Cascades, shared beliefs, consensus, mimicry, paradigms, social learning, etc.
Emotional biases	Addiction, greed, fear, loss aversion and regret, optimism, etc.	Conformism, epidemics, groupthink, peer pressure, etc...

The table below shows the different biases, classified mainly into two families : cognitive bias and emotional bias. However, the distinction between the different biases and heuristics dates back to the work of Tversky and Kahneman (1974). According to psychologist Kahneman (Nobel Prize 2002), human judgment is not as rational as it seems. Indeed, in a situation of uncertainty, judgment is often based on a limited number of simplifying heuristics, rather than on in-depth algorithmic processing. Kahneman's theory (prospect theory) was revolutionary in that it simultaneously challenged the descriptive adequacy of ideal models of judgment and offered a cognitive alternative that explained human error without invoking motivated irrationality. The development of the present theory is presented as an alternative and critique of the predominant

Source : based on Greenfich (2005) model, in this case, the rational agent and expected utility model.

However, the most important theoretical development in this field was Herbert Simon's (1959) assertion that the "total" rationality implied by the rational choice model was an unrealistic standard for human judgment. He proposed a more limited criterion for actual performance, famously known as bounded rationality, which recognizes the inherent limits to the processing of the human mind. People reason and choose rationally, but only within the limits imposed by their limited research and computational abilities constraints imposed by their limited research and computational abilities.

While the disciplinary approach to governance aims to reduce agency costs, the behavioral approach to governance focuses first and foremost on reducing behavioral costs. According to Sheffrin (2001), there

are two obstacles to maximizing firm value. The first is referred to internally as "behavioral costs", and refers to the costs associated with behavioral errors made by managers due to cognitive and emotional imperfections. While the second obstacle is external in origin and stems mainly from the behavioral errors of analysts and investors. These errors can create a gap between real value and market value.

2-4-Behavioral economics :

The field of behavioral economics is attracting increasing attention as it strives to incorporate insights from other social sciences, notably psychology, in order to enhance the conventional economic model. The fascination with the fundamental psychology of human behavior brings economics full circle to its earliest origins. Indeed, authors as Adam Smith explicitly addressed key concepts such as loss aversion, overconfidence, lack of self-confidence, lack of money, etc. (Thaler, 2016). About the overconfidence (Smith, 1776) points out that : the excessive pride which most men have in their abilities" leads them to overestimate their chances of success. On the concept of loss aversion, Smith (1759) explains that "pain is, in almost all cases, a more stinging sensation than the opposite pleasure, and, consequently, a stronger sensation than pleasure.". Speaking of self-control, Smith (1759) argues that : we care so little for the pleasure we shall have in ten years' time as compared with that which we can enjoy today. Keynes (1936) anticipated much of what we now call behavioral finance in his General Theory. For example, he observed that "daily fluctuations in the profits of existing investments, which are manifestly ephemeral and insignificant, tend to have a quite excessive, even absurd, influence on the market". Pareto (1906) highlighted that "the basis of political economy and, more broadly, all social sciences, lies in psychology". There may come a time when we can establish the principles of social science based on psychological principles.

The study of the economic agent's behavior must follow on from the prior study of said agent distinct from the system, this was explained using Thaler's (2016) example "One begins to learn physics by studying the behavior of objects in a vacuum. But physicists have never denied the existence or importance of air. On the contrary, they worked harder and built more complicated models. For many years, economists reacted to questions about the realism of the basic model by doing the equivalent of denying the existence of air or building more complex models by either denying the existence of air or claiming that it wasn't that important.

After publishing : *Theory of the Firm : Managerial Behavior, Agency Costs, and Ownership Structure* (JENSEN and MECKLING, 1976), the predecessors of agency theory published their article "The Nature of Man" in 1994, which implicitly introduced the behaviorist notion into agency theory. Their authors discuss at length the minimal characterization capable of capturing the complexity of human beings. They describe people as Resourceful, Evaluative Maximizers (REMMs).

To demonstrate the importance of the behavioral aspect at the organizational level, we refer to certain theories which consider the existence of a positive correlation between the behavior of the manager and performance in achieving the strategic objectives set. Such is the case of path theory and, more specifically, path goal. This theory, initiated by Robert J. House et Mitchell, T. R (1975), states that a leader's behavior is important for good performance in terms of its impact on subordinates' perceptions of the paths to be followed to achieve goals and the attractiveness of goals.

However, a large part of behavioral finance (a branch of behavioral economics) only came into its own with the work of Kahneman and Tversky. These two authors began by making a statement that opposed the orthodox view of economics (expected

utility) and that the economic agent is a homo oeconomicus. Their work focused on analyzing individual choices in situations of uncertainty. A series of experiments led them to propose a descriptive model of risky choices : prospect theory as an alternative to expected utility theory (Martinez, 2010), and secondly to reveal that individuals use heuristics in making probability judgments, heuristics that often lead to multiple errors of judgment.

Based on prospect theory, the mental decision process is a succession of two phases. The first, known as the editing phase, is a preliminary analysis of the available prospects. This analysis is characterized by the introduction of heuristics and biases to sort, reformulate and organize possible choices. On the other hand, the second phase, known as the "evaluation phase", is used to explain the experimental results we have presented. In this phase, the edited perspectives are evaluated and the one with the highest subjective utility is chosen, according to the same maximization principle as in expected utility theory. This phase distinguishes expected utility by integrating a subjective value function and a probability weighting function.

2-5-Behavioral governance mechanism :

The literature on governance mechanisms distinguishes between two main categories : mechanisms originating in the company's external environment, and internal mechanisms put in place by companies and their shareholders to ensure compliance with the contractual relationship established between managers and shareholders (Weir., and al., 2002). Among these mechanisms, we find the governance body "the board of directors" (the BOD from now on), which remains one of the devices that ensure the separation of the ownership function from that of control, as well as the control of top management decisions (Fama and Jensen, 1983). A corporate governance regime in line with OECD governance practices

(2015 report) must ensure strategic steering of the company and effective oversight of management by the Board of Directors, as well as the Board's accountability to the company and its shareholders. According to the same source, in addition to its strategic role, the Board's role is to monitor management performance and ensure a satisfactory return for shareholders, while taking care to prevent conflicts of interest and strike a balance between the conflicting demands to which the company finds itself subject.

Generally speaking, the BOD represents one of the main instruments for remedying managerial shortcomings (Adjaoud F., et al., 2007). Numerous studies have examined the degree of correlation between BOD and corporate performance (value creation). However, these studies focus mainly on variables such as board size, independence of directors, and representation of women.

According to the shareholder approach, the role of the board of directors is both disciplinary and incentive (hence the name of the disciplinary approach), intending to protect the interests of shareholders. Indeed, the disciplinary motive (Charreaux, 2000) is a consequence of shareholder-unfriendly management, due to the separation existing between shareholders, who assume the risk, and managers, who make the decisions.

The main tasks of the Board of Directors can be summarized as follows :

- Guaranteeing the rights of stakeholders (such as employees)
- Managers have the incentive to generate rent, in particular by developing skills specific to the firm.
- Establish inter-organizational links with the external environment, to control these critical resources
- Calling on the creative cognitive input of directors

- Contribute to the innovation process

The Board of Directors is no longer exclusively the body through which shareholder control is exercised, it also represents a means available to managers to preserve the employment relationship and protect the value of their human capital (Charreaux, 2015). By integrating the behavioral aspect, governance mechanisms must also protect shareholders and

stakeholders from the human behavior of managers. The main characteristic of board behavior within a behavioral framework is the limited capacity of organizational actors to gather and process information effectively (Cyert and March, 1963; Argote and Greve, 2007).

The incorporation of the behavioral aspect at the BOD level could have a multitude of components, as shown in the attached table 2 (page 10) :

Table 2 : Behavioral aspect of BOD

	Internal	External
Structure	I- Command and control : - Incentives and alignment of objectives - Monitoring and bonding	II. Codification and compliance: - Laws, codes, contracts, and regulations
Interactions	III. Collaboration and conflict: - Political negotiations - Power and trust	IV. Coordination and co-optation: - Social networks and director lock-in - Social elites and social movements
Decisions	V. Cognition and competence: - Decision biases - Cohesion and commitment - Diversity and competence	VI. Conformity and ceremony: - Institutional roots and identity - Norms, symbolism, language, and rhetoric

Source : "Toward a Behavioral Theory of Boards and Corporate Governance" (2009), Hans van Ees, Jonas Gabrielsson and Morten Huse, Corporate Governance: An International Review

As shown in Table 2, the study of the behavioural aspect of the board of directors is based on several variables, such as structure, interaction and decisions.

Thus, concerning the cognitive approach based on knowledge and skills, the Board of Directors, through its specialized committees, must integrate "Knowledge Management" to formalize and build a framework conducive to capitalizing on the

knowledge and skills available to the company, as well as to capitalizing on and effectively utilizing all its (cognitive) resources appropriately. In other words, business performance in an increasingly informational society depends on its ability to mobilize the collective intelligence and knowledge of all its stakeholders (ZARA, 2008).

On the other hand, and given the unbridled development of new communication tools (NTIC), corporate systems are enriched daily with new knowledge and a multitude of information, which suggests that the quaternary sector of the economy will be based on the knowledge economy. Thus, a formalized knowledge management process has become a necessity, especially given the growing number of start-ups whose capital is based on intangible assets.

It's now about information governance, (Almaqtari, F, Najib H. S, 2023) emphasizing that information governance has a statistically significant effect on the firm's business continuity and that the size of the board of directors, its independence, the independence of the audit committee, the diligence of the audit committee and external audit have a statistically significant positive effect on IT governance.

Conclusion :

Reflections on the subject of corporate governance are still relevant to management science research. The concept has evolved to encompass dimensions outside the fundamental notions of agency theory, in this case, cognitive dimensions. Indeed, phenomena such as the emergence of the immaterial economy, or even the advent of start-ups, have called into question the validity of disciplinary theories of governance in the face of environmental changes in the organization. This article is presented in two main parts, the first of which is a review of the literature on new approaches to governance, including behavioral and cognitive approaches. These approaches, which are still recent, call into

question fundamental notions such as the contractual approach to the firm, expected utility, and the rationality of economic agents, to show that the behavior of individuals is not always rational (bounded rationality) and is governed by cognitive biases that can lead to erroneous judgment.

Introducing aspects of behaviorist literature into corporate governance implies a revision of these fundamental elements, and it is with this in mind that the second part of this paper attempts to apprehend governance from a behavioral angle. We emphasize that, as well as the costs associated with information asymmetry, there are also behavioral costs (internal and external), i.e. costs associated with behavioral errors due to cognitive or emotional imperfections, and that value creation is not only dependent on reducing agency costs but also on the degree to which managers' skills and cognitive abilities are incorporated. This can only happen if we think deeply about the role of governance mechanisms and move beyond their disciplinary role to one of sharing and managing skills and knowledge as lever for value creation (knowledge management).

The interest of this research consists in the use of behavioural approaches, in particular behavioural finance, to construct a theory of governance that can remedy the many shortcomings of the dominant legal-financial theory. From advantage would be to demonstrate the importance of the notion of behavioural bias and its integration the theory of governance. Other interest of this article lies in the fact that it concerns the management aspect (directors and managers),

As new horizons and perspectives, it would be very useful to focus on the impact of heuristics and biases in executive decision-making (investment or financing decision) using a hybrid methodology (qualitative and quantitative) and to review governance practices by introducing recommendations

that protect shareholders and stakeholders from executive behaviour.

The main limitation of this article, we have used old bibliographical resources that we considered to be basic, given the novelty of the subject and the scarcity of studies dealing with the behavioural aspect of governance.

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