EDITORIAL: Advancing research on good corporate governance practices: The role of the board

Dear readers!

I am pleased to present the second issue of 2020 of the journal Corporate Board: Role, Duties and Composition.

The latest issue of the journal is exploring the topics of board director benchmarking information, board gender and risk-taking, board structure and firm performance, corporate veil and innovation governance. Hugh Grove, Mac Clouse and Tracy Xu explore how individual companies and their boards could use the board director benchmarking information compiled in the Conference Board Report to assess their corporate governance practices. Michael Adusei investigates the effects of female directors' presence on risk-taking of microfinance institutions, analysing also whether the effect is sensitive to the outreach performance. Gerasimos G. Rompotis aims at understanding the relationship between the characteristics of the board and the performance and risk of a firm, focusing on a specific country like Greece. Badar Mohammed Almeajel Alanazi compares current corporate veil practices in three jurisdictions: the UK, the US, and Australia trying to outline the advantages and limitations of the different courts' approaches, together with the best practices in terms of veil piercing. Lastly, Pedro B. Água and Anacleto Correira, building a deployable model, stress the importance of prioritising innovation on the board’s agenda and the urgency for proactive innovation governance, in order to strengthen organizational sustainability.

Reflecting on the papers of the issue, it emerges that they focus on the relationship between corporate board and corporate performance, trying to identify what constitutes a good board of directors and how to evaluate board effectiveness. This is an excellent source of the literature delivering new insights to the previous research by Arouri, Hossain, and Muttaki n, (2011), Eklund, Palmberg, and Wiberg (2009), Kyereboah-Coleman and Biekpe (2006), Davidson and Rowe (2004).

One of the widely discussed issues in the extant literature on board of directors concerns the understanding of what constitutes a good board of directors and how to appropriately structure corporate boards in order to reach that objective and increase corporate performance (Masmoudi & Makni, 2020; Velte, 2017; Basuony, Mohamed, & Al-Baidhani, 2014; Kostyuk, 2003). There is, in fact, a significant body of literature that remarks the board characteristics as a fundamental governance mechanism, able to control and influence corporate decisions (Esposito De Falco, 2019; Almutairi, & Quttainah, 2019; Abdulsamad, Yusoff, & Lasyoud, 2018; Kostyuk & Barros, 2018).

Within this literature stream, we may find the article of Gerasimos G. Rompotis, who examines the relationship between the structure of a company's board, in particular, board's size, the presence of women and independent directors on the board and CEO duality, with its performance, using a sample of companies listed on the Athens Exchange over the period 2015-2018. His result related to the positive relation between CEO duality and firm performance challenges the principles of the traditional corporate governance theory about the necessity of separating these roles in order to protect shareholders' interest. “What sounds to be good in theory is not necessarily true in practice”, states the author, especially in a contest like Greece. This result shows that despite the process of governance convergence, differences remain among contexts and there is still a need for further research in countries where corporate governance characteristics differ from the Anglo-Saxon model that was previously explored by Grove and Victoravich (2012), Taşkin (2012), Wellalage and Locke (2011), Lazarides (2009), Chen, Barry Lin, and Yi (2008).

In spite of the numerous empirical studies that analyse the impact of boards on corporate performance, few papers have focused the attention on other important firm performance variables such as corporate risk-taking and innovation (Asensio-López, Cabeza-García, & González-Álvarez, 2019; Bowers & Khorakian, 2014; Bello, 2012; Chen, 2012; Beatty, & Zajac, 1994). That's why the studies of Michael Adusei and Pedro B. Água and Anacleto Correira try to advance existing theory on these issues. Risk-taking, in particular, is critical to corporate success,
as few firms can expect to thrive without incurring a certain degree of risk, but they are likely to fail as a result of the risk they take. In the first article, the author reports that female directors are more likely to be beneficial to risk management in microfinance institutions (MFIs) that lend more to indigent clients, but generally, female representation in the boardrooms of MFIs is associated with more risk-taking. This finding challenges the general position of the empirical literature that women take less risk than men, so future research is encouraged to interrogate the women-risk linkage further. The second conceptual paper, instead, seeing the whole organization as a political system composed of four main governing areas, elaborates a model in order to shape the best governance practices for fostering innovation.

In order to fully understand the effectiveness of corporate boards previously studied by Caserio and Trucco (2019), Esposito De Falco, Alvino, Cucari, and Lepore (2019), Alfraih (2016), Bin-Ghanem and Ariff (2016), the identification of key evaluation criteria and the examination of how they apply in practice appear to be crucial elements in developing good boards of directors. It is therefore important the study of Hugh Grove, Mac Clouse and Tracy Xu, who state that individual companies and their boards of directors should use the board director benchmarking information compiled in the Conference Board report to assess the corporate governance practices of their own boards. A major way to do such benchmarking is in particular to compare the financial performances of companies in both strong and poor stock market conditions.

Also, the legal framework in which a company is embedded has an influence on the good corporate governance practices and, in this sense, the article of Badar Mohammed Almeajel Alanazi helps to have a deeper understanding of the veil piercing practices among different jurisdictions, which are ones of the legal responses to the potential abuse of limited liability. They report that law relating to piercing the veil is insufficient and disoriented and suggest that having an accountability mechanism for misconduct or malpractice of separate legal personality is imperative for the maintenance of public confidence. There is however room for future studies to find out the best applicable approach in a corporate veil.

Overall, the articles in the present issue are dealing with timely topics and their results call for further research as, in some cases, they are challenging traditional corporate governance theories. Hopefully, this issue of Corporate Board: Role, Duties and Composition journal will help scholars focused on board of directors to generate new ideas and establish new research direction in the future.

I hope you will enjoy reading the articles of this issue!

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REFERENCES