EDITORIAL: Corporate board structure, strategy and performance in uncertain times

Dear readers!

Corporate managers make choices that seek to improve the performance of their organisation. These decisions involve interpreting and framing the environment, developing and implementing programmes and services, and creating processes and structures to monitor and control resources for optimal impact (Brown & Iverson, 2004). Improved performance results for organisations that systematically addressed these challenges (Miles, Snow, Mathews, & Coleman, 1997). Board performs a critical function to monitor environmental trends that might affect organisational performance. A misinterpretation of the environment could result in errant policies and programmes. Consequently, boards must have mechanisms in place to ensure understanding of critical environmental trends (Brown & Iverson, 2004). The spread of environmental awareness is guided by the strategic purpose of the organisation, and consequently, the structures in place should reflect those purposes. The strategy adopted by the corporate board will have a considerable impact on their performance. The literature also suggests that the composition of the board will be contingent upon the characteristics of the firm's external environment, the demands of its strategy and the salient contextual factors and the past financial performance of the company (Pfeffer & Salancik, 1978).

Although research in general, the literature on the governance aspect of the board composition, diversity, and leadership structure can influence a variety of organisational outcomes (Dalton, Daily, Ellstrand, & Johnson, 1998). The academic literature is yet to provide specific guidance on the superiority of specific board composition and leadership structure. These issues are addressed in the collection of high-quality papers in this issue of Corporate Board: Role, Duties and Composition.

The first paper by Mohammad A. Ta’Ammha, Omar M. Bwaliez, Ihab K. Magableh, Ghazi A. Samawi, and Metri F. Mdanat is entitled “Board policy of humanitarian organisations towards creating and maintaining their employer brand during the COVID-19 pandemic”. The coronavirus disease 2019 (COVID-19) presents a key turning point in human history, creating a new era associated with significant changes in social and economic norms (Dirani et al., 2020). Workplaces continue to experience significant challenges and transformations resulting from the impact of the COVID-19 pandemic. These changes require organisations to be ready for restructuring for more flexibility, with more focus on understanding employees' needs, and to ensure their commitment and engagement (Yawson, 2020). The current new normal implies organisations have to rethink their activities and revisit their practices and strategies concerning managing their relationships with employees (Spurk & Staub, 2020). The study uses the conservation of resources theory (Hobfoll, 1989) as a theoretical framework to explain how employer brand can be sustained during the COVID-19 pandemic. The study finds that the board of humanitarian organisations creates and maintains employer brand through providing different forms of organisational support to their employees. These forms of support include health and mental support, ensuring work-life balance, providing online training and development programs, fair recognition and compensation programs, and leadership support. The study provides significant theoretical implications to the literature regarding the link between organisational support and employer brand.

The second paper by Ilaria Galavotti focuses on board interlocks and imitation in corporate acquisitions: a literature review and avenues for future research. Board interlocks link organisations that would otherwise be disconnected (Kang, 2008) and reflect complex inter-organisational relationships. Board interlocks help manage environmental uncertainty and dependence on external resources (Zona, Gomez-Mejia, & Withers, 2018), provide access to unique information (Haunschild & Beckman, 1998; Kopoboru, Cuevas-Rodriguez, & Pérez-Calero, 2020), enable the diffusion of practices (Westphal, Seidel, & Stewart, 2001; Shropshire, 2010), and activate learning processes (Beckman & Haunschild, 2002; Li, 2019). Over time, the progressive fragmentation of the literature on board interlocks has inspired occasional efforts to review the accumulated knowledge on the topic (Mizruchi, 1996; Lamb & Roundy, 2016). While prior reviews have addressed the antecedents and outcomes of interlock activities in general, the paper offers an in-depth summary and discussion of how interlocks influence firms’ acquisition behaviour in terms of eliciting processes of inter-organisational imitation. The review presents a unifying framework on this body of research on board interlocks.

The third paper by Barbara Sveva Magnanelli, Giulia Paolucci, and Luca Pirolo is entitled “Diversity in boardrooms and firm performance: The role of tenure and educational level of board members”. Although the literature has investigated board diversity from various perspectives for several decades (Abbad, Abudaddus, & Alwashah, 2021; EmadEldeen, Elbayoumi, Basuony, & Mohamed, 2021; Morris, Sodjahnin, & Boubacar, 2021; Kostyuk, Guedes, & Govorun, 2020; Darmadi, 2011). Most of the existing studies have focused on the aspect of gender diversity mainly because various countries have adopted mandatory requirements or voluntary recommendations regarding the minimum number of board seats that should be held by the less represented gender. The paper argues that diversity is an extensive concept that should be investigated in several aspects and not only in terms of gender.
Among the numerous features affecting the level of heterogeneity in boardrooms, scholars have given increasing interest to diversity in educational levels (usually identified as cognitive diversity) and the tenure of board members. However, the literature presents contrasting results on the effect of board tenure and educational levels on firm performance. The study addresses the question of whether a mix of tenured members, long and short and a mix in the educational level of the directors could bring benefits for corporate organisation. The paper provides empirical evidence of the effects of tenure and educational diversity in boardrooms on firm performance. The findings show a positive relationship between tenure diversity among board members and firm financial performance. The findings indicate that the higher the tenure diversity in a boardroom the higher the performance of the firm will be most likely because the tenure diversity among board members increases board effectiveness, leading as a consequence to better firm performance. However, educational diversity in corporate boards does not lead to any significant results.

The fourth paper by Fabio Franzoi examines the influence of family board involvement on working capital management. Working capital management is a key instrument to utilize internal financial resources and create shareholder value while avoiding short-run liquidity needs (Richards & Laughlin, 1980; Shin & Soenen, 1998; Boisjoly, Conine, & McDonald, 2020). Analogous to the differences between family and non-family firms, various arguments suggest that one may also expect differences in the handling of working capital. Yet, the means by which family shareholders might influence working capital management is particularly under-researched. Since working capital management is subject to day-to-day decisions, this study expects that the influence of family on working capital may be primarily through family member presence on the executive board. The article investigates the influence of family ownership and family involvement in the executive board on the efficiency of working capital management in listed German firms. The results show that the presence of family members in the executive board increases the length of the cash conversion cycle, particularly in smaller and non-service firms. Most notably, family members in the executive board increase the inventory period. The result suggests that family-managed firms may be less professional in their working capital management. The findings contribute to the literature by showing that in a country with a less investor-friendly corporate governance system, family influences on working capital management are primarily due to management presence, and not due to share ownership.

Hugh Grove and Maclyn Clouse explore an activist investor’s successful corporate governance and strategic management impacts: an updated L Brands case study. Based exclusively on available public information, the key research aim of the updated case study is whether the initial L Brands case study recommendations by Barington Capital Group for financial, corporate governance, and strategic management performance were successful or not. The updated case study analyzes whether Barington's initial recommendations worked as operational guidelines for improving L Brands’ financial, corporate governance, and strategic management performances. From its financial analysis, Barington recommended either an initial public offering of the superior performing Bath & Body Works brand or a spinoff of the weak performing Victoria's Secret brand. From its corporate governance and strategic management analysis, Barington recommended that L Brands improve the composition of its board of directors whose deficiencies in director independence, industry experience, and diversity hindered its ability to effectively oversee and advise strategic management.

The papers in this issue use a wide range of methodologies and provide insightful findings that may also trigger future research in various corporate governance challenging issues, providing a solid contribution to the previous literature and are recommended for researchers and readers looking for some of the latest trends in the field. In closing of this Editorial, I would like to thank all the contributors for their intellectual contributions. I hope you will enjoy reading this issue of the journal.

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REFERENCES


