EDITORIAL: Corporate governance challenges — Dealing with unforeseen calls for agile board capabilities

Dear readers!

If there has ever been a period when corporate resilience was tested, it was since 2020 and onward. Just as companies and their boards have learned (or failed to learn) how to cope with the outbreaks, the recent war invasion of Ukraine is threatening severely the global security in the food and energy supply chains. Moreover, the escalation of inflation that is going on could further lead to another global economic crisis. Besides, digitalization and technology-supported disrupting changes in consumer preferences and behaviour during the past decade, and especially during the pandemic, have likely increased the value of corporate agility for companies in a wide range of industries. How boards can deal with such extreme challenges in order to support their companies and top management teams in steering the stormy sea? By embracing changes in board governing mode! A more engaged, proactive, and bold board behaviour is needed! In particular, stronger value-enhancing board involvement, closer collaboration between directors and management, and a focus on resilience (Huber, Lund, & Spielmann, 2021) can provide a more secure harbour for companies in present times and lay the foundation for long-term success.

Corporate governance as a discipline is facing its paradigmatic transformation again. Just as the practice has embraced the shift of the domain's dominant focus, from its traditional mono-theoretical agency roots and complete contracting towards an integrated, multi-theoretical, and stakeholder-centric governance perspective (Shahzad, Rutherford, & Sharfman, 2015), the new requirements are already on the way. Since The World Economic Forum (WEF) (Mayer, 2020) redefined the purpose of the business to produce solutions, not just profits, corporate commitment to all stakeholders and society became the overarching, legitimate, and dominant focal points of good corporate practice and behaviour. Therefore environmental, social, and governance (ESG) reporting becomes an important part of corporate disclosure, as well as a tool to gain and sustain a competitive edge in the contemporary business reality dominated by millennials and Zs as the lead generations highly sensible to ESG expectations and oriented towards sustainability.

The importance of good governance can't be emphasized more, than through the recent launching of the new governance ISO 37000:2021 guidelines that stress out responsible, effective, and ethical governance that not only fosters an environment of trust, transparency, and accountability but helps align an organization's purpose with the interests of society, building strong stakeholder relationships while effectively managing and maintaining its resources. In this way, good governance lays the foundation for the long-term success of organizations and ensures they contribute to the protection and restoration of social, economic, and natural environmental systems.

It is worth noticing Hunt's (2022a) observation that although ESG issues increasingly dominate the agenda, not all three elements receive equal attention. Emphasizing the S in ESG is about making a social impact and purpose as the guiding lights of the corporate strategy. Although stakeholder capitalism has become a kind of buzzword for businesses that strive to achieve more than profits and a high stock price, the real issue still lies in the trade-offs between short-term and long-term perspectives. Nevertheless, the aim of good governance today is to align stakeholder and shareholder interests in the long term, while it is hard to satisfy every stakeholder group in the short term. So, according to WEF, and further highlighted by Hunt (2022b), the crystallizing concept is purpose-driven ESG.

Castañón Moats and DeNicola (2022) state that four trends can be expected to shape the corporate governance practice in 2022: due to severe climate change issues, shareholders and activist investors will continue to "beat the drum" on ESG; supply chain disruptions will continue for every sector, so investments in the supply chain seem to act as a resiliency-growth enabler; quickly evolving data privacy regulations demand nimble responses, so updates to cyber-security risk oversight disclosure can be expected; and a confluence of changing workplace policies and talent issues — and what those issues mean for the resulting company culture — require more board time and focus, bringing the human capital concerns in the canter stage. Ensuring the company has the talent it needs is a basic building block for success. As that goal has become more challenging, boards are getting more involved. Employee retention as well as their health and safety, are also board issues today. To sum up, until recently unimaginable, a lot of unforeseen is landing on the board agenda that consequently requires additional board time and involvement, along with the new, agile board capabilities (Tipurić & Tomšić, 2021). Hence, the definition of corporate governance as a sort of meta-management seems to become more and more convenient in today's business reality.

Nowadays, boards are not to be seen only as a corporate governance mechanism, but more as an active, value-created body, authorized and appointed to govern as well as to bear responsibility for the corporation. Thus boards' purpose, role, position, functioning, decision-making, efficiency, and contribution to the overall corporate outcome emerge as the areas of interest that need a renewed performing prescription in order to match the changing corporate world (Tipurić, Mešin, & Tomšić, 2014). To cope with the obstacles to their sustainability, by using opportunities and assets that are legitimately available, corporations have their board of directors within the resource base (Teece, 2007; Barney, 2001). Board can be regarded as a corporate valuable resource and most likely as a capital (Hillman & Dalziel, 2003) that could be engaged in empowering the corporate overall performance. In revealing how boards relate to and can improve corporate performance, Tipurić et al. (2014) designed, empirically tested, and proposed the board dynamic capability (BDC) as the new breed of dynamic meta managerial capability, aimed at improving board and corporate performance. BDC converges particularly for the new wave of research on the value-creating corporate board and makes a good starting point in revealing a more insightful perspective of the board's changing roles and behaviour.

"There's no doubt that the traditional governance practices are no longer a viable option for today's firms, operating in a reality where speed and decentralization of decision-making strategy should be considered as a barrier to disruption and a prerequisite for effectiveness or survival. The drift towards agility has brought the need for changes in board governing mode: a more engaged, proactive, and effective board behaviour is needed… That opens the opportunity for the agile philosophy principles and values to possibly be of use in the transformation of corporate boards' behaviour to become (more) agile" (Tipurić & Tomšić, 2021, p. 105). According to WEF, demands for agile governance have never been greater, amid ongoing many-sided global concerns. Moreover, WEF communicates that agile governance means more than just coordinating effective, efficient, and reliable public and private institutions to effectively manage problems — the term implies a forward-looking approach that seeks to anticipate problems before they materialize. The WEF is putting forth the main dimensions of agile governance: managing uncertainty, managing technology's impact, making multilateralism more effective, governing communication chaos, governing for the environment, multi-stakeholder collaboration, and the importance of values in governing.

Though agility is not in the core nature of board behaviour and performance, agile values could be aligned with the board roles and duties, and consequently, respected. The prerequisite for this revolution in board behaviour is a mindset shift, and a pragmatic and proactive attitude towards board-level requirements, along with the common consensus on what agile meaning represents in a corporate governance context. To address these emerging issues, by building on the literature on dynamic capabilities and corporate governance, Tipurić and Tomšić (2021) developed the concept of agile governance capability, being understood as "the capacity of boards to renew corporate governance practices, in particular, decision-making processes, with an aim to balance, as well as further strengthen business needs for agility, dynamics, and stability" (Tipurić & Tomšić, 2021, p. 99). In line with the ongoing trends outlook presented so far, the current issue of *Corporate Board: Role, Duties and Composition* encompasses many of the above-mentioned occurrences and addresses important topics through the collection of research and conceptual papers.

Hugh Grove, Maclyn Clouse, and *Tracy Xu* question the major challenges for boards of directors to help their companies manage, assess, and track performance with ESG measures. Since currently there are no global required ESG measures, just a variety of choices that make comparisons and analyses very challenging for various stakeholders, the authors elaborate on the evolution of ESG measures and provide a comprehensive review of different types of ESG measures, including voluntary measures, those required in the EU and the UK, and those with the potential to be required in the US and globally. Their findings suggest that management and boards of directors may employ a measurement theory perspective to assess and apply various ESG measures for specific benchmarks, targets, and reports. Although authors are aware that standard ESG measures, such as the SBTi Net-Zero Standard, are needed as benchmarks and targets for companies, boards, investors, and other stakeholders to assess climate and financial risk, climate performance, and sustainability for current and future business operations, they are stressing out the need for valid and reliable ESG measures to assess targeted climate progress in the short, mid, and long-term. In order to avoid greenwashing by both countries and companies in their various climate commitments and pledges, a variety of specific measures and benchmarks are discussed to possibly be included in an ESG disclosure framework.

Shirley Mo Ching Yeung explored the elements of service quality (SERVQUAL) for improving the quality of life of staff via an art-based curriculum with business elements. The research has also conducted two stages of qualitative secondary data search: 1) quality of life (QoL) was the major part of data analysis to support the findings: a definition of QoL, a mechanism to measure QoL, and challenges for maintaining QoL; and 2) new normal of productivity via art-based curriculum with business elements for resilience and productivity under COVID-19 was conducted to apply findings onto the SERVQUAL model. The learning outcomes on SERVQUAL and pieces of literature on QoL demonstrate that the principles of SERVQUAL are embedded in measuring QoL. Besides, several related factors were found, including technological tools for art content, education of art for life, curriculum on ethical issues in art content, policy in content protection, perception of the art community, and research thinking skills. The authors stress that the QoL may be tackled via the application of an art-based curriculum with business elements for resilience and productivity. All these findings help organizations to support the idea of designing activities to enhance the QoL in the workplace. The paper also details the learning outcomes generated from pieces of literature in the past, and the use of SERVQUAL which has potential in QoL training and individual development.

Abongeh Tunyi reviewed the literature on takeover prediction, particularly focusing on theory, propositions, and testable hypotheses on the factors that drive firms' takeover likelihood. This work draws from prior research and develops and advances conceptual arguments in underlying six new predictors of firms' takeover likelihood, namely: information asymmetry, mergers and acquisitions (M&A) rumours, financial distress, payroll synergies, share repurchases, and industry competition. The author predicts that a firm's likelihood of receiving future takeover bids increases with merger rumours and industry competition and declines with information asymmetry and share repurchases. Additionally, takeover likelihood is plausibly found to have an inverse U-shaped (i.e., non-linear) relationship between payroll excesses and the level of financial distress. Moreover, besides takeover likelihood, the author is stressing the need for future researchers to develop new prediction modelling frameworks for the firms' acquisition likelihood, since the probability that firms will make future acquisitions is as equally important and the development of more efficient prediction models is needed.

To sum, many of those unforeseen topics elaborated in the published papers make the contemporary agenda of one board. Consequently, what board members should bear in mind is the fact that nowadays "good governance means that decision-making within the organization is based on the organization's ethos, culture, norms, practices, behaviours, structures and processes..." and that "the implementation of good governance is based on leadership, values, and a framework of mechanisms, processes and structures that are appropriate for the organization's internal and external context" (The International Organization for Standardization [ISO], 2021).

I believe the papers in this issue will be welcomed by experts in the field, academic researchers, and practitioners alike, since they provide insightful findings that may also trigger future research here revealing and discussing new trajectories to solve challenges that corporate governance discipline and boards are facing. I would like to thank all the authors for their contribution and all the anonymous reviewers who improved with their insightful comments on the quality of the published articles.

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