EDITORIAL: Rethinking operational governance and board composition

Dear readers!

We are pleased to share with you this second issue of the journal in 2021.

There is a lot going on, nowadays, in terms of corporate governance (CG). The amount of discussion concerning CG and the boardroom dynamic, and behaviors is quite phenomenal; even in developing countries with weak institutions (Aguilera, 2005), where scholars are doing valuable work to shed light on what is missing to reinforce the CG practices. Poor ethical leadership, fraud, corruption, lack of cultural homogeneity, lack of diversity, and mismanagement are the major contributors to failures. Rethinking operational governance, the board composition, and how decisions are made, executed, and monitored can deeply affect organizational effectiveness and corporate performance (Wyman, 2015). The following papers published in the present issue mainly discuss how organizational effectiveness and performance are a function of the board composition, diversity, and behavior.

In the first paper, Sinan Abbadi, Murad Abuaddous, and Ahmad Alwashah examine the different factors that influence the board’s performance. They identify, in line with Lükkerath-Rovers (2013), that the presence of females on the boards comes with various benefits to the companies. The study is conducted among 128 listed Jordanian companies, from 2013 to 2018, based on quantitative methods. It relies on three significant elements: financial performance trends, the return on assets (ROA), and Tobin's Q. The results indicate an uneven gender composition in most manufacturing and service companies that are listed on the ASE. The implications of the results are manifold; of which, board gender diversity can produce lower volatility and enhance operating performance (Jeet, 2020). Legislators are encouraged to promote gender diversity on companies’ boards' structure.

Tunay Aslan, Cevdet Kızıl, and Erdal Yılmaz focus in the second paper on the implementation of fuzzy logic as a modern approach for cost-volume-profit analysis and decision-making process under risk and uncertainty (Yuan, 2009). To note that fuzzy logic is considered as a modern computer logic revolution that helps computers, based on logical applications like human behavior. The aim of the study is to predict the profit or loss situation of the indirect Coombs blood test, which is one of 100 blood tests performed by a health institution in Turkey that started its activities in 2018. Another purpose of the research is to compare values achieved by the fuzzy logic with actual values. Based on the findings of the study, profit estimated by the fuzzy logic is in a close range to actual values with a low error rate.

In the third article, Duc Tai Do, Thi Thuy Hang Pham, Binh Minh Tran and Manh Dung Tran stress that the corporate governance framework in Vietnam has been gradually built and implemented; however, it still has some limitations. The study is conducted to investigate the impact level of corporate governance on the financial performance of warehouse transportation firms listed on the Hanoi Stock Exchange (HNX). For the purpose of the study, the authors employ both qualitative and quantitative methods for processing data collected from twenty-two listed firms. The results reveal that determinants of corporate governance including the nationality of the board (NB), board composition (BC) have a negative relationship with financial performance. While the remaining determinants, such as board size (BS), professional qualifications of the board (BE), the proportion of women (PW), the average age of the board (AA), general director concurrently of the board chairman (PO), do not influence financial performance. The listed firms should hence comply with the minimum rate of independent members, promote their role, and introduce stronger regulations.

Muhammad Mahboob Ali's study investigates whether the applicability of digitization, especially medical robots and blockchain technology, can help improve the healthcare enterprises in Bangladesh during the ongoing COVID-19 pandemic. Based on both qualitative and quantitative methodologies, the findings indicate that Bangladesh healthcare enterprises are in a vulnerable situation because of unethical work practices of health workers, the need for medical robots, artificial intelligence, and blockchain technology to improve healthcare management. The study suggests that large investment, pro-patient care, corruption-free and ethical services in the healthcare management and service delivery is required, through a collaboration between
both the public and the private sectors. A national strategy is needed to launch the Fourth Industrial Revolution, digitization process, artificial intelligence, Internet of Thinking, medical robotics, and blockchain technology; and get rid of the regional health disparity.

_Rafaela Casciello’s_ paper consists of mapping the issues of financial distress and insolvency of Italian companies during 2019, by monitoring the five early warning indicators defined by the National Council of Chartered Accountants and Accounting Experts (CNDCEC) and approved by the Italian Ministry of Economic Development, in accordance with the provisions of the “Crisis and Insolvency Code” (IC-Code). These issues have always been crucial topics to be investigated in both legal and accounting studies, not only for the intrinsic complexity of identifying the factors threatening the corporate going concern but also for the urgent need of its timely detection and rapid response. The empirical study includes a final sample of 23,818 companies (LLC and JSC), of which 72 are listed companies. The results of the analysis demonstrate that overall Italian LLCs and JSCs in 2019 did not show particularly worrying signs in terms of exposure to financial distress and insolvency risk. Nevertheless, there are some sectors that are particularly exposed to specific issues that, if not properly addressed and overcome, can hinder going concerns. To mention those related to the mining, manufacturing, and energy/gas production sectors. The results of the study are of interest to both national regulators and managers.

_Zyad Marashdeh, Ghassan Omet, and Fayez Haddad’s_ paper examines the determinants of the banks’ performance in Jordan and Palestine and argues whether the differences in the determinants of their performance are due to bank-specific factors, or country-specific differences. For this purpose, the authors used the financial statements of thirteen Jordanian banks and thirteen Palestinian banks (eight of which are Jordanian with branches in Palestine) over the period 2009–2017. The quantitative methodology revealed that while no differences were found in the structure of the relationship between ROA and its determinants across the banks in Jordan and Palestine; other differences exist because of the country-specific and not bank-specific factors.

In their paper, _Francesco Mirone, Giuseppe Sancetta, Domenico Sardanelli, and Salvatore Mele_ ask whether a stronger presence of independent directors within the BoD has a concrete influence on the development dynamics of firms (Tulung & Ramdani, 2018), especially with regard to sustainable behavior. Starting from these considerations, the study was grounded on the following research question: Can independent directors influence the development dynamics of the firms? In order to test the hypotheses that emerged from the literature review, two different perspectives were adopted. Firstly, the authors analyzed secondary data about board composition in Italian companies, to inspect the hypotheses from a structural point of view. Then a questionnaire was administered to a sample of independent directors to obtain and analyze primary data about their perceptions. The results confirm that independent directors foster the alignment between the shareholders’ interests and contribute to decreasing shareholders’ opportunism. Furthermore, board independence is directly related to the adoption of CSR policies and the implementation of sustainable practices.

_Harumi Puspa Rizky, Doddy Setiawan, and Jaka Winarna’s_ study examines the role of coalition parties on local government expenditure on education and health. To note that the coalition parties are comprised of several parties that support the regional head in the local government. This study refers to public finance theory, which states that some unprofitable economic activities cannot be provided by the market or the private sector; and that, activities such as health and education provisions are the government’s obligation (Musgrave & Musgrave, 1989). The sample of the study is the local government in the Republic of Indonesia from the 2016–2018 period. The sample of the study comprises 632 observations. The results reveal that coalition parties have a negative effect on both sectors. This confirms Lewis and Hendrawan’s (2019) argument that coalition parties use their discretion to influence the regional heads’ decisions on the local government expenditure.

_Ngoc Hung Pham, Manh Dung Tran, Anh Duc Le, and Thuy Linh Le_ investigate the elements at the household level and others at the provincial level, which have impacts on the decision of personal migration. For this purpose, they use the database of household living standards surveys in 2010, 2012, and 2014 in Vietnam. The logit model is applied with array data to analyze determinants influencing the decision of personal migration. The results show that female household owners, high dependency ratio, and poor living conditions are factors that promote household members to migrate. They show that migration in Vietnam is a livelihood strategy to
help households “reduce poverty”, not a means to help households “be rich and develop”. Therefore, the enhancement of human capital should be carried out via promoting quality education and training and developing policies to support citizens to complete the general education.

Finally, Tanpat Kraiwaniit and Wanthana Tulathananun’s study aims to analyze people’s understanding of social banking and to explore the factors affecting the acceptance of social banking in Thailand; that still represents a niche, even in Europe where it originates. The population in this study is Thai older adults, aged 55 years and above, who usually access the Internet and can conduct financial transactions through online banking independently. An online survey was used as the tool for the research. The data was gathered from 650 samples via an online survey and then analyzed by descriptive statistics (percentage, mean, and standard deviation) and multinomial logistic regression. The results reveal that factors such as education level, and savings have a negative impact on social banking acceptability in Thailand, whereas the understanding of social banking has a positive effect on acceptance. This indicates that Thai older adults with lower levels of education and savings are more likely to embrace social banking than those with greater levels of education and savings, while those with a better understanding of social banking are more likely to accept it than those with a poor understanding.

REFERENCES