EDITORIAL: Current issues on corporate governance, responsibility, stakeholder theory, and organizational behavior

Dear readers!

I am privileged to introduce the fourth issue of Volume 7 of the journal “Corporate Governance and Sustainability Review” for 2023.

We are proud to present four seminal papers, each contributing uniquely to the field of corporate governance, corporate social responsibility, stakeholder theory, and organizational behavior.

Problems between shareholders and chief executive officers (CEOs) are well addressed under the agency theory. Can we talk about an exact globally valid receipt for the ideal distribution of power between the board and the CEO when we specifically focus on ethical values? If the board has overwhelming power over the CEO for the best ethical results, will it lead to a weakness in the execution power of the CEO? If the CEO has considerable power does this mean that he will not adopt the ethical codes of the firm? The corporate world witnessed several scandals in terms of corporate ethics so is there a way to prevent such kind of cases from happening? Although there are huge practice differences in terms of geographic distribution, size, and legal structures of firms, still we can address some common facts by employing data.

The new issue opens with a noteworthy subject titled “Corporate Governance and its Effect on Ethical Lapses” by David Gavin and Joanne Gavin. The authors ask a crucial question of how to prevent ethical lapses from ever happening in corporate governance. Using the framework of agency theory, the authors examined the effect of the board of directors’ power and the CEO's power on the firm's ethical behaviors. They tried to find out whether the CEO or Board, could play a role in stopping ethical lapses before they happen. To evaluate this relationship, two indices were used. The sample consisted of 102 large, public United States (U.S.) firms. Logistic regression was utilized to determine if board power or CEO power could influence ethical firm behaviors. The findings indicated that strong boards were associated with more ethical firms. These findings are important to help firms structure boards to increase vigilance and reduce the likelihood of ethical lapses.

As a management concept, corporate social responsibility is the idea that a business has a responsibility to the society in which it works. For a firm to have excellent relationships and seamless operations within the community it belongs it should be socially accountable for the growth and development of the environment in which it performs. This importance has increased dramatically with the rise of the COVID-19 pandemic where information asymmetry required further measures for the sake of all the stakeholders of the firm both in terms of financial and non-financial aspects.
Ansita Aggarwal and Nisarg Joshi, in their article “Influence of Corporate Social Responsibility on Firm’s Performance during COVID-19: Evidence of the Emerging Markets” analyze how corporate social responsibility affected business performance during the pandemic. The effectiveness of a company is evaluated from both financial and non-financial viewpoints. The data has been collected using a self-administered questionnaire from Gujarat, India’s most enterprising state. This article aids in determining whether corporate social responsibility initiatives add value, particularly in trying times.

In traditional governance mechanisms, one can observe a gradual shift from the shareholder model to the stakeholder model. The ethical branch of stakeholder theory views all its stakeholders as equal whereas the managerial perspective of the stakeholder theory explains that the management can identify key stakeholders and may likely satisfy the expectations of this group. In the related literature, we can see the distinction between primary and secondary stakeholders where primary stakeholders are defined as a must for the survival of the entity.

Shivneil Kumar Raj and Mohammed Riaz Azam, in their article titled “The International Accounting Standards Board’s 2018 Conceptual Framework on User Perspective: An Application of Stakeholder Theory” analyze the stakeholder theory and international accounting standards nexus. The authors’ qualitative study attempts to evaluate the decision of the International Accounting Standards Board to limit the primary users of the General Purpose Financial Reports in 2010 and 2018 to financiers.

They found that the managerial branch of stakeholder theory fully supports the decision of the International Accounting Standards Board to limit the primary user of the General Purpose Financial Reports to financiers only as management considers the financiers as the most influential stakeholder group whose information needs must be fulfilled under all the circumstances. This study has added to the existing body of knowledge by bringing clarity to the issues of General Purpose Financial Reports.

Employee, as a building block of an organization, is one of the most important determinants of organizational performance. Fadi Alkaraan focuses on organizational behavior and leadership in his review of the book titled “Organizational Behavior and Transformational Leadership” written by Shatha Suleiman Abu-Mahfouz and concludes this issue.

The author identifies organizations as open systems since they collaborate with external stakeholders to manage critical resources. When companies lack certain resources, they establish relationships with other companies to obtain the required resources.

The author highlights that the book articulates the employee-oriented transformational leadership model and sheds light on current issues regarding the nexus between transformational leadership, human resource practices, employee commitment, and employee performance. The author underlines that the book addresses the debate underpinning human resource management
practices including transformational leadership, employee commitment, and employee performance discourse. Fadi Alkaraan notes that the book is suitable for use by students in undergraduate and post-graduate programs, academics, researchers, managers, regulators, and standards setters.

We are glad to share new inspiring and influencing ideas with all readers. We are grateful to our authors, readers, reviewers, the editorial team, and the support team of Virtus Interpress.

Enjoy the reading!

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