

## **EDITORIAL: The interactions between leadership quality, sustainability, and innovation for the corporate value creation amidst conflicts and contradictions**

*Dear readers!*

On behalf of the Editorial team, I feel proud to introduce the first issue of the first volume of the *Business Performance Review* journal. The current issue includes scholarly articles falling in the purview of a wide range of research themes, for example, the role of the board of directors, family business, pension funds, investing strategies, international regulator system, and business performance dynamics. The backdrop of these articles is interesting, diverse, and compelling.

A dynamic business world dwells in dynamic economies and societies where *nothing is permanent except change*. Therefore, the concepts and measures of business performance must change with the changing imperatives, business environment, and outlook among other determinants. The big changes, such as COVID-19, Russia's invasion of Ukraine, the ever-looming global economic crisis, the breakdown of the global supply chain, technological disruptions, and now major political and military flashpoints in West Asia, occurring at the global centre stage have affected, are affecting and will affect businesses world. Consequently, business organizations will be necessitated to make major shuffles and reshuffles in their planning, strategies, and major decisions including investing, financing, and mergers amongst others, which can impact their performance. Therefore, it can be argued that the concept of business performance, its measures, and evaluation are likely to witness even more interest from researchers.

The extant research has already grown beyond financial performance measures and is now including several non-financial performance measures in its folds ranging from developing supply relationships, reputations, and brands to innovation, and digitalization to environmental, social, and governance (ESG), amongst others. Similarly, managerial practices, outlook, and applications of certain specific performance measures, also known as *key performance indicators* (KPIs), have evolved, therefore, reflecting changes occurring in organizational behaviour. The developments occurring in the field of business performance are not exogenous; rather these are the outcome of several other key changes that are being witnessed in the modern-day global business spectrum. For instance, the business decision-making process is not in the jurisdiction of the board of directors, executives, and big block holders alone, as the impact of *utility functions* of other stakeholders including minority shareholders, employees, customers, and suppliers on the one hand, and environmental consciousness and posterities on the other hand have also become more profound and visible than ever before. Nonetheless, the abovementioned developments are not free from *conflicts* and *contradictions*. For example, the firm managers, if they have surplus *free cash flow*, can either seek legitimacy and trust of shareholders by distributing more dividends among the latter or invest in R&D projects for further technological innovations, *ceteris paribus*. Each of the abovementioned two actions are having their *benefits* that firms can capitalize and *costs* that can be inflicted upon them.

Therefore, a business performance system should not only be in accordance with the business objectives but also in tune with the *conflicts* and *contradictions* that are inherent to any business. The true test of the business performance system is not when everything is going well but rather when the business organizations are struggling with adversaries (especially the unforeseeable ones). Therefore, the quality of corporate leadership has become even more important due to the changing nature of risks. The corporate leadership must acknowledge that the functional relationship between business performance measures as the outcome variables and the spate of determining variables in the static and traditional settings may not be as effective as they used to be. Therefore, researchers exploring the phenomenon of business performance must go beyond

the abovementioned *input-output* type relationship and explore new ideas, and analytical methods for a better understanding in the light of changing business environment.

The first issue of the first volume of the *Business Performance Review* journal begins with the article *“The role of the board of directors in the value creation process and performance of family businesses”* authored by *Francesco Napoli*. The article explores an important research question “whether” and “how” family firms can utilize their board governance to reduce major deviations from the performance trajectory that ensures the long-term survival of the firm. Highlighting several aspects of agency costs and comparing them with the resource dependence theory in the context of family businesses is an important theoretical contribution of the manuscript. The study finds that board independence does not impact on performance stability of the family firm. On the contrary, the phenomenon of interlocking of directors contributes to mitigating performance variability. The authors postulate that, first, the concept of board independence may not be “so relevant” due to the dominance of the inner circle including CEOs and influential board members of the family firms; and second, the success of innovation strategies of family firms requires a high degree of intra-firm integration, therefore, such firms prefer board “interlocking” over “independence”.

The second article of the current issue is *“Performance sustainability strategy of pension fund managers in the emerging market: A survey opinion perspective”* written by *Adeoye Amuda Afolabi*. The article examines the performance sustainability of pension fund managers in Nigeria. The author has highlighted the reasons for the rising popularity of pension schemes among people such as favourable changes in the provisions of the Pension Act and effective marketing strategies followed by private insurance companies. The study investigates, first, whether the performance approach for the existing defined contributory pension scheme is still viable today; second, whether pension fund managers’ performance has improved; and finally, whether there are certain impediments to pension fund managers’ performance. The study recommends that it is vital to underscore determinants that drive pension fund contributors to choose their pension fund managers.

The third article is *“Profitability of momentum investing strategies in an emerging market”* authored by *Adedeji Ajadi*. The study investigates whether momentum strategies are profitable in the Nigerian stock market; and whether momentum strategies are conditional upon the states of the market. The study emphasizes the role and relevance of studying the momentum effect in the financial markets in Nigeria because of its high growth potential. The result of the study indicates that the average returns of winners exceed the average returns of losers, therefore identifying the existence of the momentum effect. The study also confirms that the momentum effect is not exogenous and is determined by market conditions, for example, the study established that the momentum effect follows the boom market conditions instead bust market conditions.

The last article *“International regulations and sustainable development in touristic European port’s efficiency after the pandemic”*, written by *Vassiliki Balla, Vassiliki Karyotin, and Archontoula Koskeridi*, explores the linkage of the largest European port’s efficiency with environmental regulations and the International Convention for the Prevention of Pollution from Ships (MARPOL). The research problem is very compelling since sea pollution is not only being caused by land-based sources (restaurants, touristic businesses, hotels, etc.) but also by the ports themselves through their various infrastructures and marine traffic. Similarly, the sustainability of tourist ports is of utmost importance for the protection of coastal waters as well as for the maintenance of hygiene standards of these ports. The study evidences the environmental and sustainability issues are interrelated and not separable and interesting the management of ports that are investigated in the current study understands and appreciates the benefits of enhanced sustainability.

A promising feature of all the articles published in the current issue is that they have highlight several disciplines falling in the domain of corporate governance, performance management, stock market behaviour and private pension funds. These articles underline

diverse institutional settings including both developed and emerging economies. These publications are highly *value-additive* in terms of theoretical and empirical literature review as well as research methodology.

I hope that scholars in the relevant disciplines will find all the published articles in the current issue highly useful and they will utilize the contributions, and overcome the limitations identified in these publications in their future research endeavours.

My sincere thanks to the authors, readers, reviewers, the editorial team, and the support team of Virtus Interpress. I also congratulate Virtus Interpress for the launch of *Business Performance Review* journal.

*Dr. Shab Hundal*  
*Senior Lecturer (Financial Management),*  
*Director Research (School of Business),*  
*JAMK University of Applied Sciences, Jyväskylä, Finland,*  
*Editorial Board Member, Business Performance Review*