

EDITORIAL: Emerging issues of corporate governance

Dear readers!

The recent issue of the journal *Corporate Ownership and Control* is devoted to the issues of environmental, social, and governance (ESG), board practices, chief executive officer (CEO) practices, internal control, accountability, auditing, earnings management, etc.

Dalenda Ben Ahmed, Samira Benelifa, and Abderrahman Jahmane evaluate the contribution of ESG to the financial performance of banks. The final sample is made up of 52 banks from different countries, and the study covers the period from 2007 to 2020. The results, contributing to the previous literature by Elfeituri (2025), Phan and Tran (2025), Santiago-Castro (2025) show that the overall ESG score, ESG scores separately, and the bank size are positively correlated with banks' financial performance measured by return on assets and return on equity. On the other hand, debt is negatively correlated with the latter variables.

Diaeldin Osman, Ibrahim Magboul, Fadi Herzallah, Alhashmi Aboubaker Lasyoud, and Alhour Nadir Alhour Osman examine the relationship between user-based drivers of CAATTs usage and perceived CAATTs usage outcomes in Sudanese auditing firms. By testing a conceptual framework with survey data collected from 234 auditors, the authors find that six of ten hypothesized variables are statistically significant and relate to CAATTs usage; notably, however, perceived ease of use, client pressure, industry pressure, and user trust were not. Furthermore, CAATTs usage was associated with higher levels of three of the four CAATTs outcomes: audit services, task effectiveness, and auditor performance.

Teng-Shih Wang, Feng-Yi Lin, and Liming Guan study the effect of financial statement comparability on directors' and officers' (D&O) insurance coverage. Using a comprehensive sample of firms listed in the Taiwan capital markets, the authors find that the more comparable a firm's financial statements are to its peers', the less D&O insurance coverage the firm would purchase. The results remain robust after addressing potential concerns related to omitted variables, reverse causality, and sample selection bias. Consistent evidence emerges when the authors conduct change analyses and employ alternative measures of financial statement comparability. Furthermore, the authors document that higher comparability reduces abnormal D&O insurance coverage.

Ayishat Omar investigates the relationship between employee engagement and discretionary accruals, offering a stakeholder-oriented perspective on earnings management. Using panel data from U.S. public firms (2017-2024) and the Drucker Institute's employee engagement and development score, the study estimates regression models to assess whether engagement influences revenue reporting discretion. Results show that higher employee engagement is associated with lower discretionary accruals, indicating that engagement functions as a governance mechanism that promotes transparency rather than opportunistic reporting. The effect is stronger in consumer-facing industries, where reputational visibility and stakeholder scrutiny are greatest, but it is not moderated by firm growth.

Xiang Long and Kevin Krieger analyse the interplay between CEO overconfidence, a prominent behavioral bias, and the governance role of inside debt. The authors argue that the well-documented effects of CEO overconfidence on corporate risk-taking and firm value are moderated by the structure of CEO compensation, specifically deviations from a firm-specific optimal level of inside debt, which is a structure of deferred and/or pensions meant to align CEOs with the risk facing traditional debtholders. Using a large panel of the U.S. firms, the authors find that overconfident CEOs are associated with larger negative deviations from optimal inside debt levels. Results show that positive deviations from optimal inside debt mitigate the risk-taking behavior of overconfident CEOs, particularly in research and development investment. Conversely, negative deviations amplify their risk-taking tendencies.

Nagalingam Nagendrakumar and Niruba Sarath Jayasundara give an answer by explaining why the accrual accounting (AA) practices introduced to public entities in Sri Lanka failed through an empirical explanation of the loss of logic of appropriateness of the institution (i.e., AA practices) and the institutionalization (i.e., implementation process). Accordingly, institutional theory becomes the theoretical scope of this study. Engaging the longitudinal study for 26 years (1999–2025), the study espoused the interpretive stance, case study strategy, and theoretical deductive thematic analysis method. The data collection was carried out among the purposive sample cases. The sample cases selected are from the initiating agency, the implementing agency, the divergent voice, and the controlling agency.

Chih Fang and Huey-Lian Sun examine the relationship between managerial ability (MA) and quantitative ESG disclosure metrics and investigates, contributing to the previous papers by Intezar et al. (2024) and Seow (2024) whether this relationship differs between manufacturing and non-manufacturing firms. Regression results show a significant and positive relationship between MA and ESG disclosure after controlling for executive- and firm-specific characteristics. The industry analysis indicates that this association is stronger among non-manufacturing firms than among manufacturing firms. These results provide valuable insights for firms, practitioners, and investors regarding the impact of firm-specific factors on firms' ESG disclosure decisions.

Filippo Gervasutti and Fabio M. Manenti investigate how cyberattacks affect the market valuation of European financial institutions. Using an event study methodology on a sample of 31 cyber incidents affecting European financial firms between 2016 and 2024, the authors document a clear and statistically significant negative market reaction concentrated on the announcement day. Importantly, the authors find no evidence of abnormal price movements prior to disclosure, which is inconsistent with systematic insider trading. In contrast to prior studies that report pre-announcement abnormal returns around cyber incident disclosures, findings suggest that information leakages and insider trading may be less of a concern in the European financial sector.

Alba Maria Gallo, Alexander Kostyuk, and Ubaldo Comite analyse the role of artificial intelligence (AI) in supporting enterprise risk management and improving operational efficiency through a systematic review of 85 peer-reviewed articles published between 2014 and 2024. The aim is to develop a research agenda by mapping the current scientific literature on the contribution of AI to risk identification, prediction, and mitigation, with a focus on its impact on organisational performance. This study provides a novel cross-sectoral perspective by systematically comparing public and private sector applications, an aspect that remains underexplored in the existing literature. The findings suggest that AI is increasingly positioned as a key enabler for predictive analytics and data-driven decision-making.

Khaled Samaha examines the principal determinants of internal control quality (ICQ) in Egyptian non-financial listed firms, focusing on corporate governance attributes and firm-specific characteristics. ICQ is measured using survey responses from external auditors for the period 2013–2016, based on a balanced panel dataset of 236 firms listed on the Egyptian Stock Exchange. The findings indicate that board independence is positively and significantly associated with ICQ under a combined leadership structure, but exhibits a negative association under a separated structure. Ownership dispersion significantly enhances ICQ when leadership roles are separated, but becomes insignificant under a combined structure, suggesting that leadership concentration may empower block holders over minority shareholders, potentially weakening ICQ.

We hope that you will enjoy reading this issue of our journal!

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