BOOK REVIEW: "BOARD OF DIRECTORS AND COMPANY PERFORMANCE: AN INTERNATIONAL OUTLOOK"

Edited by
William Megginson, Pablo de Andres, Marina Brogi, Dmitriy Govorun
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Corporate governance is a research field featured by a prominent interdisciplinarity, covering not only legal but also managerial issues related even to the organisational behaviour of firm human capital. Current and lively topics are most often amenable to corporate governance. For instance, the recent financial scandals, the firm value creation process, the formulation of corporate strategy, the quality and reliability of financial disclosure as well as the firm reputation and confidence towards investors and, more broadly, stakeholders always depend on corporate governance path (Baysinger & Butler, 1985; Carvalhal da Silva & Câmara Leal, 2006; Davidson & Rowe, 2004; Huse, 2005). Therefore, the latter is the "lowest common denominator" or, in other words, the main "hub" of the foregoing issues.

In a systemic view, such distinctive points of corporate governance are emphasized in the book entitled "Board of Directors and Company Performance: An International Outlook", edited by William Megginson, Pablo de Andres, Marina Brogi and Dmitriy Govorun and published by Virtus Interpress. In more detail, a greater attention is placed on the relationship between the board of directors (BoDs) and firm performance (Calza et al., 2017; Demsetz & Villalonga, 2001; Meyer & de Wet, 2013; Velte, 2017). This research question is investigated, in an international perspective, shedding light on both developed and developing countries. In particular, the book consists of eleven chapters, of which five are devoted to developing economies, such as Barbados (Chapter 7), Ghana (Chapter 8), Jordan (Chaper 9), United Arab Emirates (UAE) (Chapter 10) and Turkey (Chapter 11).

A perusal of the work stimulates fruitful comparisons that, in turn, represent an important strength, in terms of originality, and provide interesting cues for future research routes, given the significant differences which still exist between those geographical areas.

From the theoretical standpoint, the bulk of the chapters rests on the agency theory and the resource dependence theory, namely the theoretical constructs most recurring in the present academic literature.

The agency problem is also looked into the dimension "principal-principal" especially in those contexts (e.g. Italy, Spain, Portugal, etc.) where the ownership structure is substantially concentrated and could emerge conflicts between the major and the minority shareholders (Bhagat & Brickley, 1984; Vargas-Hernández & Teodoro Cruz, 2018; Zhao & Brehm, 2011). The resource dependence theory allows to examine in depth the board members' attitude to bring fitting resources to the organization and create partnerships with key actors (e.g. buyers, suppliers, policy makers and so on), in order to be able to use crucial inputs for firm value creation process (Muller-Kahle et al., 2014).

In addition, in Chapter 6, Tsene, Gkliatis &. Koufopoulos depict the team production theory quoting some seminal contributions (Alchian & Demsetz, 1972) for which the BoDs, in corporate governance path, plays a mediating role in the management of firm capitals. For instance, in terms of human capital, the managers and the long-term employees can be deemed comparable to the shareholders, given that they give similar contributions to firm success (Blair & Stout, 1999; Kaufman, & Englander, 2005).

Shifting the attention to a pivotal topic in this research stream, such as the compliance with a corporate governance code, it should be noted that the Organization for Economic Cooperation and Development (OECD) achieved its goal in encouraging the publication of national codes or, in any case, in providing a first guideline to be followed for implementing good corporate governance principles (de Andres et al., 2005). Nowadays, the benchmarks are the codes pertinent to the United States, the United Kingdom and South Africa.

As it described in the book, an effective adoption of the corporate governance code usually depends on the effectiveness of the legal context existing in each nation. In this regard, sustantial divergences can be deduced comparing developed and developing countries. The Turkish context is a very good example. Indeed, in Chapter 11, Sener highlights that the national code gives to listed firms the opportunity to adopt the "comply or explain" principle. Altogether, in each country described in the book, the BoDs is very committed to putting in place activities of compliance control with different regulations and provisions published by national and international regulators. In Chapter 1, Bolton states that today the BoDs is "(…) engaged in 80% monitoring (…)" duties. Even though compliance control is important in BoDs monitoring workplan, the other sizeable director activities concern the formulation of corporate strategy with the aim to successfully embark on a competitive, financial and sustainable development.

With reference to the empirical analyses carried out by prior studies, in each chapter of the book and consequently in each country investigated, it is possible to infer some common features. Indeed, after having conducted accurate literature reviews, the authors point out that the findings inherent to the relationship between BoDs and company performance are not always univocal. Moreover, the independent variables are often focused on the same dimensions of the corporate governance path, such as the CEO duality, the busy, the executive and non-executive directors, the human capital remuneration policies, the gender diversity, the type and the role of the committees set up as well as the kind of the ownership structure (Baliga, et al., 1996). The latter has been explored considering the percentage held by the institutional investors (e.g., in Spain and Portugal), the family (e.g., in Italy, in Portugal and Turkey) and the State.

In some previous studies (except for the Spanish context as reported in Chapter 3b), the independent variable is also a "handmade" index used as a proxy of good corporate governance or better as metrics to measure the degree of compliance with the national and/or the international codes.

As a whole, the book entitled "Board of Directors and Company Performance: An International Outlook" paints a clear picture with respect to the central role of the BoDs in the corporate governance path, in order to monitor and steer the management towards either the accomplishment of the strategic goals or the increase in competitive, financial and sustainable performance.

Taking into account the insightful suggestions pertinent to the future research avenues, the book would be of interest to scholars, whose research interests primarily rest on BoDs and more broadly on corporate governance issues. Some authors propose to change the focus of the research questions emphasising the perspective of the "quality" of a corporate governance path rather than the "quantity", inter alia, already widely parsed. In Chapter 4, Vieira & Neiva suggest to develop a robust assessment model for measuring and comparing among different countries the quality of a corporate governance path.

Still, in Chapter 2a, drawing upon the Italian context, with the aim to better capture the directors' perceptions, Caserio & Trucco recommend to carry out specific surveys rather than mining and gathering just secondary data from distinguished data sources.

This book can also provide intriguing prompts for practitioners, since some authors stress the magnitude of setting up specific committees (e.g. corporate strategy) or appointing independent directors with high-quality managerial expertise, in order to support BoDs in improving its advice duties.

For any reader, scholar or practitioner, challenging considerations pertain the issues that the BoDs will have to resolve over the coming years, such as the adaption to the digital era, the impact of macroeconomic turbolence and the inclusion of environmental, social and governance factors (ESG) in the formulation of corporate strategy, given that for instance the climate change can affect firm value chain and importantly modify the risk assessment policies.

Lastly, the book is easy to read and informative, as a consequence of the several cues stemming from its perusal which are most often conducive to moving the body of knowledge forward.

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