

EDITORIAL: Multilevel analysis of corporate governance and leadership

Dear readers!

It is my pleasure to write this editorial for the volume 17, issue 1 of the 2019 edition of *Corporate Ownership and Control*. The 13 articles included in this volume of the journal discuss a broad variety of topics, including accrual and real earnings management, board of directors' characteristics, mandatory disclosure of non-financial information, digital transformation strategies of firm leaders, post-adoption effect of alternative performance measures' guidelines, corporate controlling system expectations, quality of governance frameworks and practices, strategic dividend decisions, network governance, and compliance management. All these aspects continue to make headlines in the popular press and remain topical in the extant corporate governance literature (Bodolica, Dupuis, & Spraggon, 2019).

Worth noting is the authors' close attention to the contextualization of their research efforts to account for the specificities of national and legal frameworks in both the developed regions of the world (i.e., Italy, Canada, the United States, and European Union) and emerging economies (i.e., Egypt, Libya, Ghana, and Gulf Cooperation Council). Moreover, the examined organizational settings vary greatly from small and medium-sized enterprises and family firms to large state-owned companies and publicly-held corporations. These efforts are well inscribed in prior studies in the field that suggest that the successful adoption of corporate governance policies hinges upon their compatibility and alignment with the prevailing institutional and cultural peculiarities of the context in which they are embedded (Bodolica & Spraggon, 2009a).

In spite of their wide topical heterogeneity, all the included articles tackle a multitude of aspects of relevance to the corporate governance and leadership domain that can be clustered on the basis of their predominant level of analysis, more specifically the macro, meso, and micro levels. Macro-level inquiries examine the overall advancements in corporate governance infrastructures and regulatory developments that affect different sectors of the economy of a given nation or state. Conversely, micro-level research is focused on a set of well-defined governance and leadership strategies and practices that are pursued within organizations with the purpose of boosting firm performance and achieving targeted outcomes. Finally, meso-level investigations provide a viable nexus between the two levels by analyzing the effectiveness of state-driven governance initiatives through the impact that their implementation exerts on micro processes and dynamics in today's corporations.

Hence, the multilevel research efforts deployed by the authors of these scholarly papers seek to produce far-reaching implications via positive governance-related knowledge spillovers across individual, organizational, industrial, and national boundaries. This classification of studies in light of their level of analysis is consistent with recent literature that clusters the multitude of attributes of corporate governance into several groups to assess potential interdependencies among them (Bodolica & Spraggon, 2009b). For instance, among the most typical governance bundles there are macro- and micro-level mechanisms of control (Bodolica, Spraggon, & Tofan, 2016; Tofan, Bodolica, & Spraggon, 2013), and societal/formal, relational/social and individual/emotional instruments of monitoring (Spraggon & Bodolica, 2015).

Ahmed B. A. Boghdady conducted a comparative analysis of accrual and real activity earnings management in state-owned versus privately-held enterprises in Egypt. Using a large sample of non-financial entities over the 2010-2017 period, the author did not report significant differences between the two subsamples, pointing to the recent efforts of the Egyptian government to eradicate ownership-based disparities among firms. This empirical study contributes to the nascent literature on earnings management in companies operating in the dynamic and evolving realities of emerging economies (Huang, Chan, Chang, & Wong, 2012).

For a sample of 16 Islamic and 52 non-Islamic banks over the 2013-2017 period, *Ehab R. Elbahar* assessed how different features of the board of directors influence the performance of financial institutions operating in the Gulf region. In particular, female directors, audit committee, board size, and Sharia committee were found to be positively associated with bank performance, while risk committee and political member representation on the board were unrelated to performance. The outcomes of this paper extend prior studies on the role of boards of directors as effective mechanisms of monitoring (Mateus, Hall, & Mateus, 2015) and the financial performance of banks in emerging market settings (Battaglia & Gallo, 2015).

Cristian Carini, Laura Rocca, Monica Veneziani, and Claudio Teodori conducted an exploratory analysis of mandatory non-financial reporting by oil and gas companies following the enforcement of the relevant European Union directive. Sustainability reports and financial reports were examined, pre-post legislation adoption, for the availability of environmental, employee, social, human rights, anti-corruption and bribery, diversity, and business model categories. Uncovering a substantial increase in the degree of information disclosure, the authors provided additional empirical evidence about the effectiveness of regulatory policies in disciplining the reporting behavior of organizations (Bodolica & Spraggon, 2015; Velte, 2019).

In a context of technological disruption, artificial intelligence, and continuous innovation (Hayden, 2019), firm leaders more than ever need to shift their emphasis from shareholders to stakeholders in order to assist employees in their adaptation to the dynamic world of work. *Hugh Grove, Mac Clouse, and Tracy Xu* argued that corporate decision makers have the obligation to find effective ways to deal with multiple challenges of

emerging technological advances. To embrace the current trend of digital transformation, board of directors were advised to avoid the 'fear of missing out' by relying primarily on the 'adapt or die' strategy.

In their paper, *Vincenzo Foglia Manzillo, Alessandro Giannozzi, Gianluca Vittorioso, and Oliviero Roggi* analyzed the effect of the European Guidelines on Alternative Performance Measures using a sample of listed small and medium-sized firms. Consistent with prior research (Marques, 2006), the authors concluded that the disclosure of these metrics reduces information asymmetries among investors and positively influences equity prices, allowing for a more accurate estimation of the stock issuers' performance.

Building on the idea that knowledge represents one of the scarcest resources in today's hypercompetitive economy (Spraggon & Bodolica, 2012), *Veronika Fenyves and Tibor Tarnóczy* took an alternative approach to analyze professional expectations that the labor market places on controllers. To assess candidates' capacity to adequately execute job-related requirements in terms of information generation and decision-making support, controllers are expected to possess accounting, finance and business-specific activity knowledge, on the one hand, and logical thinking and context-dependent analytical skills, on the other.

Sylvie Berthelot, Michel Coulmont, and Yves Levant provided empirical evidence on the relationship between quality and cost of governance practices in Canada. In particular, they focused on the compensation packages of corporate leaders (i.e., CEOs and non-executive directors) across different sectors of the national economy. Their study offers a refreshed and valuable look into the well-established field of research on the incentive design of top management compensation in Canadian companies (Spraggon & Bodolica, 2011).

Recently, scholars began calling for a comprehensive inquiry into various aspects (such as antecedents, consequences, and moderators) surrounding the mandatory disclosure of non-financial information (Gao, Dong, Ni, & Fu, 2016). *Simona Fiandrino, Fabio Rizzato, Donatella Busso, and Alain Devalle* responded to these calls by tackling this topic in the specific context of Italian stock markets, where organizations frequently adopt pyramidal structures and exhibit high levels of ownership concentration.

The research conducted by *Ali A. Zaqoub* contributes to the nascent literature on governance frameworks and models in emerging markets (Bodolica, Spraggon, & Zaidi, 2015). The author analyzed the advancements made in corporate governance initiatives in Libya and concluded that developments in the area were still in their embryonic stage. Specialized training programs are needed to spread awareness and educate business leaders in the country.

Paul Adjei Onyina and Daniel Kojo Gyanor embarked on the analytical journey to evaluate the extent to which various corporate governance practices affect the performance of firms listed on the stock exchange in Ghana. They found that most governance items do not represent substantial drivers of organizational performance, suggesting that decision makers need to rigorously revise extant governance practices in the country to boost their effectiveness. The governance-performance relationship constitutes one of the most popular research strands that advocates the adoption of a more fine-grained approach by differentiating between specific attributes of governance to delineate appropriate recommendations for policy making (Zemzem & Ftouhi, 2016).

In the context of the USA equity market, many researchers evaluated the impact of the Sarbanes-Oxley Act on the association between governance metrics and strategic dividend decisions (Bhattacharyya, 2007). *Mark Bertus, John S. Jahera Jr., and Keven Yost* reported that the Act altered the governance-dividend relationship, by eliminating the role outside directors and shareholders' rights play in explaining firms' dividend payouts.

The paper by *Roberto Moro Visconti* offers an original way of studying corporate governance through the use of theoretical insights drawn from the network perspective (Barabási, 2016). By placing network governance at the center of analysis, the researcher identified relevant pathways for connected stakeholders to engage in collaborative undertakings, that promote decentralization, disintermediation, and sustainability.

Literature reviews constitute a viable type of scientific inquiry that seeks to summarize extant knowledge on a specific topic, uncover contributions and limitations in the field, and formulate thought-provoking questions for future research to bridge the identified gaps (Bodolica & Spraggon, 2018). Performing a systematic literature review on compliance in family firms, *Stefan Behringer, Patrick Ulrich, and Anjuli Unruh* pointed for the need of additional empirical studies on compliance and ethical behavior in family-run organizations.

In sum, each article published in this issue of the journal makes its own contribution to the literature, permitting to delineate the most pressing trajectories of future governance research. Among the key global and regional corporate governance trends that are likely to stay at the forefront of business leaders' agenda are issues related to investors' accountability and stewardship, sustainability and social, environmental and governance risk, and human capital both in the boardroom and at the C-suite level (Rampersad, 2017; Salvioni & Gennari, 2016). Comparative approaches to the study of corporate governance will increase in importance due to the need of acquiring a more fine-grained understanding of governance variations across analytical levels. Lastly, the present state of governance in emerging markets along with the dynamic

evolutions occurring in these regions will continue attracting researchers' and practitioners' attention in the years to come (Albarrak & El-Halaby, 2019; Moldasheva, 2015).

All the articles in this issue are well-inscribed in the future corporate governance trends discussed above and I cordially invite you to explore each of them in more detail. I am confident they will stimulate your scientific curiosity, challenge your prevailing assumptions, induce you to identify thought-provoking research questions, and encourage you to explore novel paths to advance the theory and practice of corporate governance both globally and in your own region of the world. I wish you a pleasant and informative read!

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